

JULY 1988

\$2.50

**Ending A
Partnership**

**Working Around
Workers' Injuries**

**When Employees Walk
Out With Your Secrets**

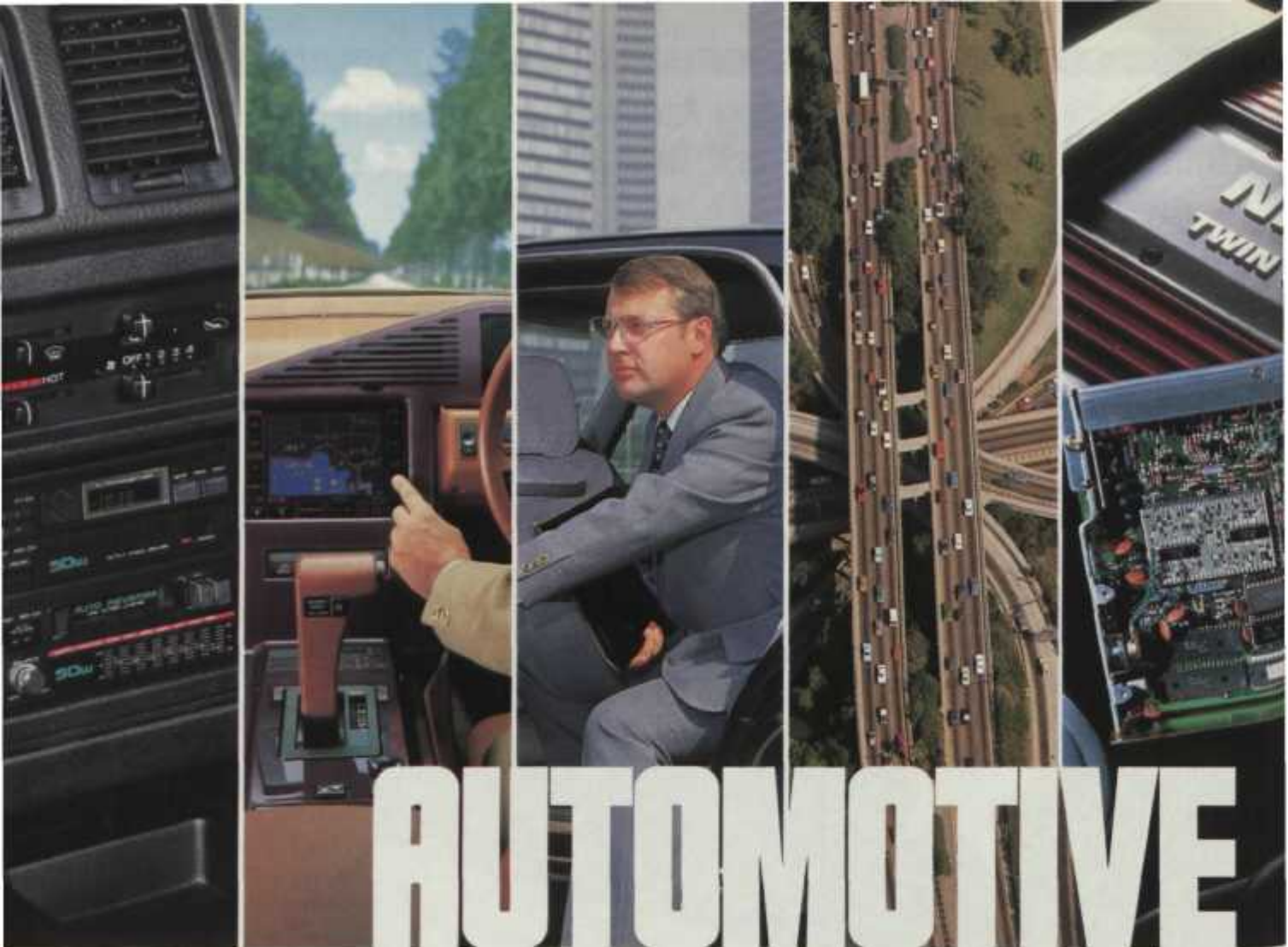
Nation's Business[®]



Meet Your New Work Force

White males are already a minority in the American work force. The new and growing majority: Women, Blacks, Asians and Hispanics. How your company adapts to these dramatic changes could determine its future.





AUTOMOTIVE

Hitachi's wide-ranging automotive technologies include car audio, the Satellite Drive Information System featured on Nissan's CUE-X concept car and a microcomputer engine control system.

Automobiles should be more than safe, comfortable machines. They should also be able to communicate with the world around them.

Recent advances in car electronics technology have been remarkable. They've not only improved basic functions such as engine control, they're now being seen in man-machine interfaces providing more comfort and operating ease, and even in communications with the surrounding world. Down the road there are things even more exciting.

Hitachi's scientists and engineers are at work on a Multi Information System using a color thin film transistor LCD to display operating information, road maps and a navigational system using these maps. With this system a driver could obtain a variety of driving information simply by touching the display screen. Eventually, he'll be able to issue verbal commands to, for instance, regulate the temperature within his car. Hitachi electronics and semiconductor technology can also bring free communication with the outside and determine a car's exact location through use of Global Positioning System satellites.

Hitachi has also developed a highly acclaimed hot wire air flow sensor used in engine management. It helps achieve the diametrically opposed goals of maximum power and fuel economy. And we've created many other superior products for driving control, suspension control, air conditioning and audio.

We link technology to human needs; and believe that our special knowledge will create new, highly sophisticated functions that are also easy to operate. Our goal in automotive electronics — and medicine, energy and consumer electronics as well — is to create and put into practice innovations that will improve the quality of life the world around.



HITACHI
Hitachi, Ltd. Tokyo, Japan

The Dale Carnegie Course® has one underlying purpose...

To help men and women achieve more with their lives.

The Dale Carnegie Course® is based on the premise that virtually everyone has far more potential ability than they ever use. In fact, most people have much more capacity for successful achievement than they even recognize. But once they can see themselves in perspective, once they realize that they do indeed have an abundance of unused talent and ability, then they are at the threshold of an exciting, new adventure in their lives.

The Dale Carnegie Course® can help you look within yourself, to discover more of the wealth of hidden talents and capabilities that are already there. It can help you develop those resources into practical and useful skills that you can use every day to achieve more of the things that are important to you.

Whatever your station in life, one of the important factors in your success will be your knowledge and understanding of human nature. In the Course, you learn to better understand the thoughts, the feelings, the reactions of people and how to work with them more effectively. You learn more about the secrets of motivation. You discover new ways to earn the support and cooperation of others. You learn more about the art of effective communication, how to express your ideas, your thoughts and feelings more concisely, more effectively.

As you participate in the course you acquire a new sense of well-being, a heightened self-image. You develop a firm and genuine feeling of confidence in yourself and your own abilities. You become a more capable person than you were before, and you feel it.

For more information about Dale Carnegie Training®, ask for your free copy of our quick-reading booklet that outlines the courses in greater detail. Call toll-free **800-231-5800**. In Texas call **800-392-2424**. Or write to the address below.



DALE CARNEGIE & ASSOCIATES, INC.

SUITE 1178 • 6000 DALE CARNEGIE DRIVE (PVT.) • HOUSTON, TEXAS 77036

ACCREDITATION WITH THE ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING, INC.

Nation's Business®

Published by
the U.S. Chamber of Commerce
Washington, D.C.

MANAGING YOUR BUSINESS



PHOTO: ROBERT HOLMGREN

14 Cover Story: Your New Work Force

White males are now a work-force minority; women, blacks, Asians and Hispanics make up the new majority.

24 Breaking Up Is Hard To Do

A split-up between business partners need not be—as it often is—costlier and nastier than a divorce between spouses.

26 Going To The Dogs (And Cats)

The Iams Company has always made superior pet food, and now Clayton Mathile is telling the world about it.

30 Clamp A Lid On Company Secrets

You can prevent departing employees from making off with typewriters and photocopiers, but how do you keep them from walking off with company secrets?

Your firm's future may hinge on how it adapts to a multicultural worker mix, as did SBE, Inc., where Paul Terry and Ramona Ledesma are employed.

34 Take Stock Of Your Broker

What are you—fundamentalist or technician? Investor or trader? Find your portfolio personality, then pick a like-minded stock-market guru.

39 Working Around Worker Injuries

Return-to-work programs can speed injured employees from workers' comp rolls back onto company payrolls.

41 Put Profits On The Menu

The recipe for success in the restaurant industry calls for business talents as well as kitchen skills.

44 Have Your Cash And Borrow, Too

By using your own certificate of deposit as collateral for a loan, you can reduce interest and preserve capital.

61 Fare Well At The Fair

Germany's colossal trade fair in Hanover can be used as a gateway to global marketing by small U.S. companies.

DEPARTMENTS



PHOTO: BEN TOUTON

51 The Home Remaker

Mike Lennon built a major home-inspection company and now wants to be the foremost home-repair authority.

6 Letters

9 Commentary

Small business has a large role to play in the defense industry.

10 Small-Business Update

10 Bulls And Bears

11 Alien Penalties

12 VAT Of Trouble

38 Direct Line

51 Making It

51 He Wrote The Book

52 Diamonds In The Dirt

55 Tax File

55 Another Deadline

56 After Divorce

57 Where I Stand

58 Classified Ads

62 Congressional Alert

63 Editorial

Cover Design: Hans A. Baum
Cover Photo: Copyright © 1988 Jay Maisel

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20002. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1988 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$35; three years, \$46. In Canada and all other foreign subscriptions, add \$10 per year. In combination with the newspaper *The Business Advocate*, one year, \$29; two years, \$45; three years, \$59. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. Postmaster: Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895. Subscriber Service: 1-800-638-6582 (in Maryland, 1-800-352-1400).

"The new Isuzu Pickup. The official fleet vehicle of IBM*, MGM**, and AT&T.***"



*Inez's Beauty & Manicure. **Maurice & Gertrude's Meats. ***Arnie's Tacos & Tamales.

As long as we're into initials, try these. H.E.'S L.Y.I.N.G.

This Isuzu is so new we haven't sold it to any of these companies yet. Which is why you should consider this tough, durable fleet vehicle for yours.

\$7,199[†] Because whether you're interested in our Long Bed, 1-Ton Long Bed, our rugged 4x4 or our basic workhorse, you can't buy more up-to-date engineering.

Including a new optional automatic transmission. A new 120 horsepower fuel-injected 2.6 liter engine, available on most models. And the biggest standard payload in its class.[‡]

Call our fleet managers at 1-800-752-7566. (Or in Virginia, 703-347-5660.) They'll show you how to get all this advanced engineering with some very backward prices.

Which is important whether you're the AT&T that sells telephones. Or the one that sells tacos.

[†]M.S.R.P. excluding tax, license, and transportation fee. Price as of 2/1/88 and is subject to change.

[‡]4x2 Standard Bed, base model, 2.3 liter engine.

ISUZU



Fleet Sales

Circle No. 18 on Reader Service Card.

Mr. Pitney

Here's half of the story. Mr. Pitney.

The half that thinks in schematic diagrams, folding sequences, scanners, manifests, copying technology and mailing and facsimile systems. Dictaphone® dictation systems.

The brain-stormer. The Einstein. The *IDEA* person.

This half is for all the women and men at Pitney Bowes today putting practical technology to work in every size business, in every corner of the world.

But, like we said, Mr. Pitney is only half of it.



1-800-MR BOWES

Mr. Bowes

This is the other half. Mr. Bowes.

The half that talks about you and your mailing system needs. You and your copier and supply needs. You and your facsimile and dictation system needs. You and your future.

He's the person in the lobby. The voice on the telephone.

The suit. The sizzle. The *PEOPLE* person.

This half is for all the women and men today at Pitney Bowes who strive to meet the demands of business, who anticipate changes and develop opportunities, who build confidence and trust in every Pitney Bowes relationship.

Every Pitney needs a Bowes.

Most companies need them both.

Call 1-800-MR BOWES ext. 572 to see how you can profit from the relationship.



Pitney Bowes

Circle No. 37 on Reader Service Card.

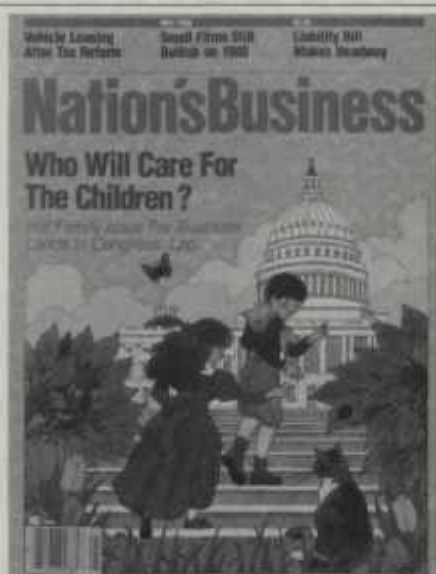
Letters

Care-Full Comments On Child Care

One wonders why we ask "Who Will Care For The Children?" [May] as if there is a child-care crisis. Our children are well cared for, and child-care legislation is not targeted to those with the most needs but to those with the most votes.

A desire to help the disadvantaged—most of the people "helped" by this legislation would not be the disadvantaged—would be better accomplished simply by more funding of existing child-care programs, such as Head Start, or by more tax relief. But liberal Democrats wanted a program that appeals to middle-class working mothers, a program that has tremendous vote-buying potential.

A Heritage Foundation study says, "The most important problem is a tax code strongly biased against children." A Treasury Department study notes that between 1960 and 1984, the average tax rate for single persons and married couples did not increase, but for a married couple with two children



it climbed 43 percent, and for a couple with four children, 233 percent.

Since 1948, when the personal exemption of \$600 equaled 42 percent of average annual per capita income, inflation

has badly eroded the value of the personal exemption, which was only partly made up by the increase to \$2,000 under tax reform. To have the same relative value today it should be \$6,468.

Increasing the relative value of the personal exemption would allow all mothers to provide better care for their children, including the 54 percent of all children whose mothers are not employed outside the home, the 22 percent of such children who are cared for by grandmothers and other relatives while the mothers work, and the children cared for in the homes of unlicensed neighborhood providers, estimated at as many as 1.75 million.

*Daniel John Sobieski
Chicago*

It may be true that about one half of women with children under 6 work, but that also means that the other half does not. The Dodd-Kildee bill, as I have heard of it, would discriminate against these nonworking women. Why should the sacrifice these mothers make be neglected while the working mothers' sacrifice is rewarded?

This bill would also discriminate against nonfederalized child-care centers. There should be standards, certainly, but do we really need more federal bureaucracy? This bill would have far-reaching implications for religious organizations.

I would like to know more about other options, like the Child Care Tax Credit Reform Bill. This type of bill sounds much better than the added bureaucracy of federal babysitting at the taxpayers' expense.

*E.G. Smith
Nashville*

You report that 55 percent of married mothers of children under 6 work. While that may be true, many of these women are actually full-time mothers who do not use routine outside child care. At-home mothers do everything from babysitting to corporate consulting in their homes. Other full-time mothers work outside of the home only when their children are in school.

Unfortunately, today's at-home

**THIS SPACE IS
TOO SMALL TO TELL
YOU HOW WE CAN
HELP EXPAND YOUR
BUSINESS, SO CALL
1-800-FINANCE.**



**CHRYSLER
FIRST**

Business Credit Corporation

Real estate secured financing. Brokers are protected.

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.

mother is almost invisible. Some statistics suggest that full-time motherhood is a thing of the past. This may be due to the fact that full-time mothers who earn money end up in the "working mother" category and not in the "full-time mother" category where they belong. For many mothers, these outside jobs are not necessarily interesting or career-enhancing, they're just a way for full-time mothers to make money.

Our organization, Woman's Work Shop, helps women explore the career options available to full-time mothers. We give information on what they can do now so that they'll be better prepared for life after motherhood.

We give women information on flexible alternatives to traditional jobs and careers, education programs that fit their special needs, volunteer activities and interesting avocations.

*Christine S. Donovan
Woman's Work Shop
Coronado, Calif.*

We have been told repeatedly that 62 percent of all mothers work outside their homes. We are told this because part-time working mothers are lumped in with full-time working mothers. When these statistics are sorted out, only 29 percent of all married mothers actually work full time for a year.

It is obvious that political leaders have focused on the working mother to the exclusion of the mother at home. I worked full time outside my home for years, then part time, and now I am a mother at home. I see a real need for the Holloway-Wallop and Dodd-Kildee ABC bills to be considered on their merits rather than on the promotion of government officials looking for votes.

I support the Holloway-Wallop bill for obvious reasons. It is a bill that allows us to resolve our own child-care problems by spending our tax credit where we see fit. It does not offer only one solution to a complex problem.

*Cynthia Gravatt
Center Point, Iowa*

Questioning Motives

I commend J. Patrick Rooney for his commentary on Sen. Edward Kennedy's "Minimum Health Benefits for All Workers Act" ["Mandating Health Care Would Eliminate Jobs," May]. One has to question Kennedy's motives in continually supporting legislation that weakens small business.

America's small businesses carry the tax burden, employ the majority of workers and show consistent growth

and stability. Therefore, Kennedy—and all those who promote a socialistic state with nationalized medicine, enormous transfer payments, big government and the like—must really be against laborers, taxpayers, middle managers and hourly wage earners who make up and support this country.

*Wilson Toudouze
San Antonio*

Not-So-Significant Reforms

Your article "Deciding Who's To Blame" [May] contains a map detailing states that have enacted tort reform. The map indicates that Illinois enacted "significant" reforms in 1986. Not so.

Having coordinated the mainstream of that effort on behalf of the Illinois Coalition on the Insurance Crisis (ICIC), which has now become the Tort Reform Alliance of Illinois, I would like to claim the action was significant. Our coalition represented over 120 Illinois trade, professional and government associations.

Legislation was passed and signed by

the governor. However, in our opinion, its most significant "reform" was to allow a method of bonding by local government so that their deep pockets might become even deeper.

Sadly, Illinois still desperately needs meaningful tort reform.

*William E. Dart
Vice President, Government Affairs
Illinois Manufacturers' Association
Springfield, Ill.*

Return To Walton

Amen to Mike Wheeler's view of Sam Walton and the Wal-Mart empire ["Letters," June], described in your April article, "Walton's Mountain." The Wal-Mart empire was created by putting stores in small communities and driving the mom-and-pop stores out of business, using tax incentives not available to the existing businesses and by using part-time employees.

Sam Walton buys American because ... the suppliers finally had to start becoming competitive with foreign goods, and he is using [Wal-Mart's Buy



Call Ford's Truck Hotline



about Ford's hot truck line!

Call 1-800-FORD-1ST
and Join the WorkForce!

(1-800-367-3178)



Circle No. 2 on Reader Service Card.

BUSINESS
OWNERS:

GET

PAID

OVERNIGHT.

We buy your INVOICES
when you BILL

No Minimum



Cash in a Flash

1-800-421-0034 (212) 689-8500 (NY)

ACCESS
CAPITAL, INC.

Circle No. 97 on Reader Service Card.

COMMENTARY

Letters

American campaign] as an advertising tool. Do I shop at Wal-Mart, K mart, etc.? When I have to. They're becoming the only places open.

Larry Markley
Hannibal, Mo.

Voicing An Option

Your article "Voice Mail Keeps You In Touch" [June] was an excellent presentation of uses for voice mail.

Many small companies may not wish to put out the capital to operate their own voice-mail system, and they do not have to. A voice-mail service bureau operates identically to an in-house system and may provide more services. The service can be provided economically to as few as two people, and it provides the added potential for linking users in different companies when all use the same service bureau.

Joseph N. Laseau
Executive Vice President
Association of Telemessaging Services
International, Inc.
Alexandria, Va.

Nation's Business

The United States Chamber of Commerce, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD

William S. Kanaga

PRESIDENT

Dr. Richard L. Leshner

GROUP VICE PRESIDENT/COMMUNICATIONS

Dr. Carl Grant

VICE PRESIDENT/PUBLISHING

David A. Roe

EDITOR

Robert T. Gray

DEPUTY EDITOR

Ripley Hotch

SENIOR EDITORS

Sharon Nelson, Karen Herney,

Joan C. Szabo, Roger Thompson, Albert G. Holzinger,

Terence F. Shen, Michael Barrier, Janet Lowenstein

ASSISTANT EDITOR

Nancy L. Croft

CONTRIBUTING EDITORS

Henry Altman, Del Marth, Gerald W. Padwa, William

Hoffer, Linda M. Eames, Steven Golub, Julie Cardier,

Harry Bacon

PRODUCTION EDITOR

Melinda W. Nahmias

ASSISTANT PRODUCTION EDITOR

Jeffrey W. Bartlett

ART DIRECTOR

Hans A. Baum

ASSISTANT ART DIRECTOR

Richard C. Freund

SENIOR ARTISTS

Mary L. Czaruk, Angela Reed Breese,

Thomas E. Sooreck

PHOTO DEPARTMENT

Laurence L. Levin, photo editor

Frances Borchardt, assistant photo editor

T. Michael Kesa, chief photographer

PRODUCTION

Harry N. Miller, director

Seretha Armstrong, associate director

U.S. ADVERTISING

Robert H. Gotshall, marketing director

(312) 354-1180

W. Brett Perrine, advertising director

(212) 370-1440

Kathleen Brown, administrator

ADVERTISING MANAGERS

Atlanta (404) 393-0140

James M. Yandis

Chicago (312) 348-3326

Pete McCutchen

Dallas (214) 387-6404

Richard Chalkley

Southfield, Mich. (313) 354-1180

Richard Topous

Los Angeles (213) 651-1466

Cathy Adler

New York (212) 370-1440

Raymond Murray, Jerry V. Campanie,

Arthur V. Irwin, Jr., Joseph Adduci, Neil Hanlon

San Francisco (415) 421-7436

Hugh Reynolds

CLASSIFIED ADVERTISING

(202) 463-5640

Jonathan Shonard, manager

INTERNATIONAL MARKETING

(202) 463-5716

El Motaz Soobol, director

Gabrielle Kika, Peter Dunn, Bijan Sepasy, managers

CIRCULATION

Elizabeth A. Allen, director

Lacy Oliver, manager

PROMOTION AND RESEARCH

Janine Grossman, director

Pamela W. Lambert, research manager

Regina Sokas, promotion manager

Gabrielle Fardwell, promotion coordinator

BUSINESS MANAGER

Leonard J. Rigga

*There is no such thing
as just a secretary.*



But, you know that. And so does OM5. You need a secretary who is also a receptionist. Or a secretary with experience in word processing. Or a secretary with a background in bookkeeping. You need more than just a good secretary.

That's why candidates from OM5 are more than just good secretaries. OM5 is the largest recruitment agency specializing in professional, permanent secretarial and office support personnel. We are able to draw on an impressive pool of talent. And, match our candidates with your specific needs. OM5 can meet your secretarial requirements quickly, efficiently, cost-effectively. And provide you with a person who is more than just capable. Someone who is truly professional.

Because, just a secretary just wouldn't be good enough. Look in the White Pages for the OM5 office nearest you.



Circle No. 11 on Reader Service Card.

The Defense Business Needs Small Business

By Rear Adm. Stuart F. Platt, USN (Ret.)

Building railroads, transcontinental pipelines, warships or military aircraft—all of these are, typically, jobs for big business. But if such projects are to be carried to success with the greatest possible innovation and cost effectiveness, they must provide roles for small business. Smaller firms must participate with large companies so that the advantages of both are blended.

The success of the upgrading of the Navy from about 400 to 600 ships demonstrated the value that small business can play in a big-business program.

The 600-ship undersea and surface

that only through an open marketplace—including small and large businesses—could the Navy be more affordable and less regulated. They said competition would generate more innovative ideas and provide a check and balance on expenses. They were right!

The Navy tested the theory of the competition advocates when it began its buildup in the early 1980s. It foresaw a major expenditure of dollars in shipbuilding and aerospace as it expanded its military establishment, including submarines, surface ships, aircraft and Marine amphibious forces.

Competitive bidding has produced

ernment requirements, finance major programs and undertake massive tasks. Small firms have proved their value to the industry as well. They are flexible and responsive, and they render good quality. And because their investments tend to be in human resources, not in facilities, they can be wonderfully cost-efficient and innovative.

We can insist as a national objective that our large defense firms, as they make their day-to-day, make-or-buy decisions, include small businesses. We can also ask for an accounting on small-business competition at the subcontract level. As the Navy has seen, employing both small and big businesses improves technology, keeps costs down and keeps our marketplace competitive. It makes good business sense.

The following steps could help make the government's marketplace more vibrant:

- The federal government should increase its contributions to research and development costs in order to advance participation by small businesses, which often cannot afford such costs. The government's role would enable more businesses to become active in subcontracting, which would help America hone its competitive edge.

- For our future, we should support initiatives by the Congress and the Defense Department to foster and nurture the defense-industrial base.

- We must consider putting into the private sector more jobs and dollars for services. This could come simply from cutting back on government-run arsenals and maintenance facilities. Broadening competition in this way will help make the defense industry more affordable and less regulated.

- Both political parties must encourage competition of small and large businesses in the defense industry.

Big business has been a longtime friend of the defense industry. It is time now to welcome small businesses. Small businesses have best captured the entrepreneurial spirit that has helped secure the economic and citizenship liberties we enjoy today.

We need to encourage small businesses and industrial primes to work together. It is for the good of our country, and it is simply common sense. ■

Market forces worked for the Navy for the same reason that they work in the private sector: Entrepreneurs plan better than bureaucrats.



Navy was planned and developed in the 1970s, when American commercial shipbuilding and repair were severely depressed. At that time, military and civilian leaders were concerned chiefly with getting the most from their investment in new naval forces and with operating and maintaining those forces for decades within a realistic budget.

To achieve greater efficiency, reduce overspending and ensure contractor performance, they decided to increase dramatically competitive bidding and to include small business in the bidding.

Some military and civilian leaders protested that increased competition would waste time. They favored continuing with the usual suppliers. In 1982 over three fourths of the Navy's more than \$35 billion in purchases were awarded without advertising for bids.

Those advocating competition argued

dramatic results, particularly in electronics and ship repair. Because of competitive bidding from small firms, for example, the Navy was able to move from black-and-white to colored electronic shipboard displays for tactical use at a lower cost and sooner than the large firms could offer.

From 1982 to 1987, the contract dollars awarded competitively increased from 26 percent to 55 percent. The percentage of contract actions awarded competitively increased to 89 percent in 1987 from 29 percent in 1982. Participation by small businesses more than doubled, and the cost of ships and aircraft and spare parts and services fell, helping to save taxpayers more than \$6.7 billion.

The arguments that small business and competition do not fit well in the defense marketplace simply do not hold up. In short, market forces worked for the Navy for the same reason that they work in the private sector: Entrepreneurs plan better than bureaucrats.

Big business' role in the defense industry is well-known. Large firms are equipped to handle the increased gov-

Rear Adm. Stuart F. Platt, USN (Ret.), a former advocate general responsible for management of all Navy competitive acquisitions, is senior vice president of Continental Maritime Industries, in San Francisco.

Small-Business Update

By Joan C. Szabo

The Job Machine Rolls On

The nation's smaller firms continue to be a driving force in job growth, according to the newly released annual White House report "The State of Small Business."

In 1987, industries dominated by small companies generated 1.3 million new jobs. In addition, of the 10.5 million new jobs created from 1980 to 1986, 63.5 percent were created by businesses with fewer than 500 employees, including 38.7 percent by businesses with fewer than 20 employees.

More than half of the overall job growth from 1980 to 1986 occurred in service industries, including many small health-care and business-service firms.

Industries creating the most new jobs from December, 1986, to December, 1987, were restaurants and drinking establishments, trucking and trucking terminals, physicians' offices, and computer and data-processing services.

Employment gains in small businesses from 1980 to 1986 in the manufacturing sector have offset some of the job losses in large firms. Small businesses created 574,000 jobs in firms with fewer than 20 employees. Large companies, on the other hand, lost 1.7 million jobs during that period.

The report notes that there are now 18 million small businesses, including many part-time businesses, up from 17.5 million in 1986. Most small businesses are sole proprietorships.

Small-business income, as reflected in sole proprietorships and partnerships, was up significantly in 1987, growing at an annual rate of 11 percent during the first nine months, compared with 12.8 percent for 1986.

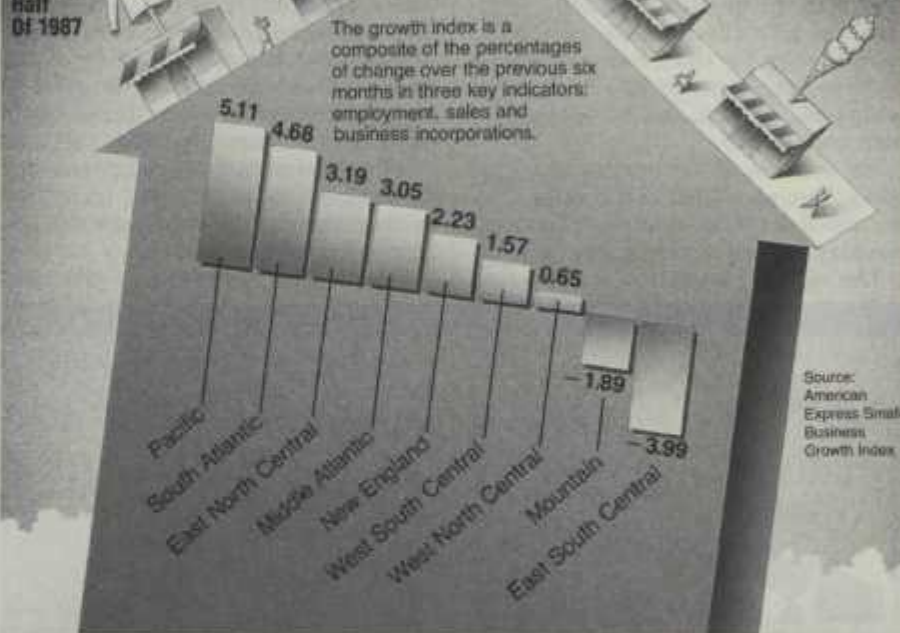
The Bulls Are Loose On The Factory Floor

It will be a great quarter for manufacturing, if you listen to the people who should know: plant managers of U.S. manufacturing facilities.

Expectations for increased production, new orders and overall demand increased sharply in the second quarter

Small-Business Growth Index

By Region, Second Half Of 1987



after falling in the first quarter, according to Dun & Bradstreet Corporation's Plant Managers Survey.

The survey asks 1,500 manufacturing-plant managers their views on existing and expected conditions in their factories, including production levels, new orders, costs and prices as well as their perceptions of overall demand in their industries.

While expectations for the second quarter were up substantially, the outlook for the next 12 months improved only modestly over the already-strong 12-month outlook reported in the first quarter.

"Long-term manufacturing expectations were almost unaffected by the [October decline] in the stock market, and they have remained strong," says Joseph W. Duncan, D&B's corporate economist and chief statistician.

But Bears Prowl The Defense Industry

More than 50 percent of U.S. defense contractors who responded to a survey by the U.S. Chamber of Commerce said

they will reduce their investment in capital equipment and research related to the defense market.

The Chamber conducted a random sampling within each state of 10,000 prime contractors and subcontractors for the federal government; 86 percent of the respondents were involved in defense work.

Firms responding to the poll attributed their planned drop in investments to a combination of pressures on profit margins, lack of financing resources, program instability, excessive government oversight and the availability of better opportunities in commercial markets.

In fact, a surprising 42 percent said they actually found their profits on government sales decreased over the past five years.

In recent testimony before the Senate Armed Services Subcommittee on Defense Industry and Technology, Jeffrey H. Joseph, U.S. Chamber vice president for domestic policy, said: "These findings suggest that there is a fundamental imbalance in the financial equation of risk and reward. This condition

Machines continuing to roll, bulls running loose, bears starting to prowl, VATs beginning to bubble and incubators hatching start-ups.

is being felt particularly by subcontractors and small businesses."

Winning Government Business

If you are interested in doing business with Uncle Sam and his prime contractors, list your company's name in the Procurement Automated Source System (PASS).

It is a computerized directory of more than 130,000 small companies that are interested in federal procurement. The database can be searched by geographic location, type of ownership and other categories.

There is no charge for being listed, but computer access to PASS costs \$24 an hour.

For additional information on PASS, write the U.S. Small Business Administration, PASS, Office of Procurement Assistance, 1441 L Street, N.W., Room 600, Washington, D.C. 20416, or call (202) 653-6586.

Warnings Turn Into Fines

The transition period on full implementation of the new immigration law ended June 1, and employers found in violation of its provisions now face the full range of penalties. Enforcement of the Immigration Control and Reform Act began June 1, 1987, but it provided for a one-year interval in which companies cited for violations were generally given warnings.

The law prohibits employers from knowingly hiring aliens who are illegally in the United States. Penalties range from \$250 to \$2,000 for each alien; repeat violators can be sentenced to up to six months in jail.

The law also contains extensive paperwork requirements that affect all employers. They must fill out and retain I-9 forms on each person hired since Nov. 6, 1986, the date the law was enacted. The form lists the documents by which a job applicant established identity and work eligibility.

Paperwork on a specific employee must be retained for three years or until one year after that employee leaves, whichever is longer. Penalties for violating the law's paperwork requirements range from \$100 to \$1,000 for each offense.

Manufacturing-plant managers expect strong gains in production, new orders and overall demand in this year's second quarter, according

to a Dun & Bradstreet survey. Managers' expectations rose sharply after falling in the first quarter.



PHOTO: CRICK FELL—JEPHOTO

Detailed guidelines on compliance with the law are available in a U.S. Chamber of Commerce publication, *The New Immigration Law and Employers' Handbook*. Order publication #7009 from Virginia Lamp Thomas, Employee Relations Division, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062. The cost is \$29 for Chamber members and \$35 for nonmembers.

Fostering Entrepreneurship

The Small Business Advisory Council of the Republican National Committee is urging GOP candidates to support "policies that create a climate for entrepreneurship and risk-taking." The advisory group, made up primarily of small-business people, recommends specific policies and strategies in the areas of capital formation, education and training, government regulation, international trade, minority ownership of businesses and tax policies.

Its capital-formation proposals include restoration of the tax preference on capital gains "to assure adequate

availability of equity capital for new and growing high-risk small businesses" and passage of a Small Business Investment Incentives Act. The latter would provide tax incentives for direct cash investments in small businesses.

Hatching Start-Ups

An increasing number of entrepreneurs are enjoying the benefits provided by business incubators, according to the National Business Incubation Association, of Carlisle, Pa.

Incubators provide small start-up companies with affordable rent, shared business services and access to professional and technical assistance.

The incubation trend has shown tremendous growth—257 percent over the past two years, says NBIA. The trade group estimates that if current trends continue, there will be well over 1,000 incubators by 1991.

Incubators have an outstanding success rate. Eighty percent of small companies nurtured in an incubator survive; the survival rate within the first five years for small business as a whole

SMALL-BUSINESS UPDATE

is 20 percent. Among the cities that now have their own incubators is Richmond, Va., where the Richmond Technology & Enterprise Center was opened to support small business.

"Perhaps the greatest benefit of incubators is that they enable entrepreneurs to share their expenses and to encourage one another," says A.J. Christopher Wood, executive director of Richmond's Metropolitan Economic Development Council.

If you would like additional information about incubator services in your area, contact the NBIA, 153 S. Hanover Street, Carlisle, Pa. 17013, or call (717) 249-4508.

Double, Bubble, VAT Of Trouble

The European-style Value Added Tax (VAT) being touted as a revenue source would hit small business especially hard. VAT is collected at every stage of production and distribution, rather than at the retail stage only.

The Congressional Research Service, asked by Rep. John J. LaFalce (D-N.Y.) to study the impact of a VAT on small business, found that:

- There would be substantial costs for small firms in complying with a federal VAT. Small firms would have to maintain detailed records cross-indexed with supporting documentation.
- Smaller firms could not take advantage of the economies of scale usually realized by large businesses in tax compliance.
- Cash flow would be adversely affected in a business that pays for inputs or remits to the government more promptly than it collects receivables.
- A VAT would be due on a credit sale when the invoice is rendered even if the customer failed to pay. Thus, small businesses with cash-flow problems would have to borrow additional working capital.

Says LaFalce, "VAT is a regressive tax, it would have a significant inflationary impact, and it would adversely affect small firms."

Women In The Sales Force

Women are making more inroads in the field of sales, according to a recent survey from the Personnel Corporation of America, of Norwalk, Conn. PCA, a management consulting firm in human resources, found that women made up 17.6 percent of the nation's total sales force last year, exceeding the 7.3 percent reported in 1981.

Quoteworthy

"Management is not about administration. It is about emotion. Management requires empowering people on the basketball court or in the meat-packing plant to achieve continuous personal growth."

—Tom Peters, author of *Thriving on Chaos*.

"In addressing quality and the need

to improve our business performance as a nation, we cannot overlook the service industries of America."

"The service sector provides the muscle to keep things moving in the manufacturing sector... and if we can do a better quality job in service... we'll find ourselves doing a better quality job in manufacturing."

—John J. Hudiburg, chief executive officer, Florida Power & Light Company, at a press briefing announcing the Malcolm Baldrige National Quality Award.

The survey covered 12,000 salespeople employed by nearly 350 companies representing 40 industrial classifications.

In a small number of industries, such as apparel, housewares and food products, women account for a large portion of the total sales force. But women seem to have minimal sales-force representation in industries such as tools and hardware, and automotive parts.

Selling Used Computers

Interested in trading in your old personal computer for a more advanced model? If so, your best bet is to put a classified ad in your local newspaper, says the National Association of Computer Dealers, in Dallas.

The brand that commands the highest price on the used-computer market is Compaq, followed by Apple's Macintosh and IBM's microcomputers.

Compaq computers retained an average of 73.2 percent of their original selling price when sold by their owners through newspapers, says the trade association. Apple retained 67.2 percent,

and IBM retained 63.1 percent, the organization found.

Delegates Favor Bush

Vice President George Bush is the presidential candidate who would most benefit business during the next four years, according to this year's delegates to the U.S. Chamber of Commerce's annual meeting.

In an opinion poll of delegates from across the country, 96 percent said that if Bush is elected president, his policies would continue or improve today's healthy business conditions.

Regarding other candidates, 77 percent of the delegates believed Massachusetts Gov. Michael Dukakis would harm the business climate, and 88 percent felt the Rev. Jesse Jackson also would hurt it.

When asked their preferences in head-to-head contests, delegates chose Bush over the Democratic candidates. They favored the Vice President by 85 percent to 15 percent in a Bush-Dukakis contest, and by 96 percent to 4 percent in a Bush-Jackson race. ■



"A Guide to Business Credit And The Equal Credit Opportunity Act" is a free 12-page booklet from the Federal Reserve Board. It provides useful advice on preparing an effective loan presentation and outlines your rights under the Equal Credit Opportunity Act (ECOA).

The ECOA makes it illegal for lenders to deny your loan application because you are a woman or a minority-group member, or discourage

you from applying for a loan or give you less-favorable terms than those offered to another applicant for that reason.

To obtain a copy, write Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Also on our bookshelf this month is a 228-pager entitled *Infopreneurs: Turning Data Into Dollars* (John Wiley, \$19.95), a guide to the opportunities available for setting up a business that generates or markets information.

Author H. Skip Weitzen explains what you need to know to handle data for profit, including the key to becoming a successful "infopreneur."

IT'S GOOD
TO HAVE A CHOICE...

IT'S GREAT
TO MAKE THE RIGHT ONE.

While you're busy running your business, it may seem as if every financial service company in the world is busy running after you.

Offering you pension funds. Employee benefit plans. Insurance protection. Investment programs. Health services.

How do you choose?

Many small businesses have chosen the experience and expertise of The Travelers—where Small Business is as important as Big Business.

At The Travelers, we look at your business from your point of view.

Our CommonCentsSM health plan and growing network of comprehensive health services were developed to make quality medical care affordable again.

Our MasterPacSM insurance coverage for small businesses wraps the protection you need into one convenient package.

Our pension program offers you a broad array of plans that range from the security of a guaranteed annuity to the potential of an aggressive growth fund.

When it comes to a choice for your business, The Travelers is the one that's easy to make.

Securities products are available through Travelers Equities Sales, Inc.

The Travelers Insurance Company

The Travelers Indemnity Company and Their Affiliates, Hartford, Connecticut, 06183.

TheTravelers
You're better off under the Umbrella.SM

Meet Your New Work Force

By Sharon Nelton

Brenda L. Roth had high hopes for Mary, a white woman she hired last year as a receptionist for the front office at SBE, Inc., a computer-products manufacturer in Concord, Calif.

Mary was "a mature, articulate, educated, well-put-together, handsome woman," recalls Roth, SBE's vice president of administration. Throughout the new recruit's first day, Roth heard she was doing a good job, so at the end of the day, Roth was surprised when Mary, smiling pleasantly, said she was quitting. "I don't like to work with gays, coloreds and boat people, so I won't be back."

"If that's the way you feel," Roth told her, "we don't want you back."

Mary had discovered that the workplace just isn't what it used to be. Nobody's workplace is.

SBE has a multicultural employee mix and likes it that way. Of its 100 workers, 40 percent are women and 23 percent are minorities—blacks, Hispanics or Asians.

SBE's variety symbolizes what is happening all over the United States: The work force is becoming more and more diverse. White males are already in a new minority of their own, representing 45 percent of America's 117.8 million workers in 1986. Over the next dozen years, their share will decline to 39 percent.

"White males, thought of only a generation ago as the mainstays of the economy, will comprise only 15 percent of the net additions to the labor force between 1985 and 2000," says *Workforce 2000*, a report prepared by the Hudson Institute for the U.S. Department of Labor last year. The rest will be American-born white females, immigrants and a rich mix of native minorities that includes blacks and a wide variety of Hispanics, Asians, American Indians and Pacific Islanders.

Little by little, senior executives and management experts across America are recognizing that these vast demographic shifts demand a new way of



PHOTO: ROBERT HOLMGREN

White males are already a minority in the American work force. The new and growing majority: women, blacks, Asians and Hispanics. How your company adapts to these dramatic changes could determine its future.



Beneficiaries of a work climate that supports diversity, Sidney Fernandes, Kerry Canada and Brenda Roth have all enjoyed advancement opportunities at SBE.

running things—an approach often called “managing diversity.” This means recognizing that diversity is already a fact of life, learning to understand “culturally different” workers and creating an environment in which they will flourish.

“The company that gets out in front managing diversity, in my opinion, will have a competitive edge,” says Xerox Chairman David T. Kearns in a three-part series of training videotapes, “Valuing Diversity,” produced by CopeLand Griggs Productions of San Francisco.

“We want to attract the very best talent available. And talent is gender-blind and color-blind,” says James E. Preston, president and chief operating officer of Avon Products, Inc.

Proponents of the new concept say companies stand to gain a number of advantages when they do a good job of managing diversity. Among them are:

The opportunity to hire and keep the best of the new labor pool. Companies with reputations for being good places for women or minorities to work are sought out by those workers.

Greater innovation. The broader the spectrum of backgrounds in a group, says one executive, the richer the ideas that emerge.

“Without women, *USA Today* would have been ‘*USA Yesterday*,’” Nancy J. Woodhull, president of Gannett New Media, told participants at a University of Southern California conference. When *USA Today* was launched, she said, readers liked it immediately because they found it interesting. “The reason we were interesting is that there were a lot of ideas from different people with different points of view in our news meetings every day. There were women; there were minorities; there were young people; there were old peo-

COVER STORY

Meet Your New Work Force

Roosevelt Thomas of the American Institute for Managing Diversity, at Morehouse College, in Atlanta, says you shouldn't try to "puree" your

employees into a homogeneous substance. When a company does that, it loses the added value that a multicultural work force can offer.

ple. There were people who went to Harvard. There were people who went to Trenton State in New Jersey."

Better performance among female and minority workers. When only white males have opportunities to attain positions of power in a company, it "diminishes the sense of motivation and commitment of the workers who are underrepresented," says Denise Cavanaugh, an organization-development consultant in Washington.

Ability to make the most of ethnic or international markets. "We are consumer marketers, and the marketplace is very diverse in this country," says Avon's Jim Preston. "Who best understands the needs of Hispanics, Asians and women than Hispanics, Asians and women?"

Procter & Gamble has had great success in recruiting minorities and women, according to Calvin A. Harper, who is black and is an officer in the company. "We're convinced that this diversity in our work force can give us a significant competitive advantage if managed or utilized effectively."

But for many companies, success in meeting affirmative-action goals has created a new problem: retaining women and minorities and moving them up through the ranks.

"We tried everything," says Preston. "We tried mentoring, we tried recruiting at black and other minority universities, we had special internship programs, we had internal tracking. You name it, we tried it all."

The problem, Avon found, was not getting minorities and women in the door. It was keeping them.

It was a classic example of what R. Roosevelt Thomas, Jr., calls "the frustrating cycle." A company meets its hiring goals for minorities and women, and it develops high expectations that they will work well and move up in the corporation. "Unfortunately, these expectations are rarely met," says Thomas, director of the American Institute for Managing Diversity, Inc., at Morehouse College, in Atlanta.

"So you have frustration," he continues. "Frustration on the part of people who were recruited because they are not experiencing what they had hoped to have happen, and frustration on the part of managers because they don't understand why these 'right' people aren't moving up the hierarchy and because they are not being given credit for a good-faith effort."



PHOTO BY LALLO

The disappointed minorities or women leave the company. Often, the company will make another recruitment effort, beginning the cycle again.

Avon's Jim Preston and other business leaders find that meeting the challenges of the new work force requires some fundamental changes in corporate culture. Most American businesses have corporate cultures that have "been described and imprinted by white males," he says. "Small wonder, then, that minorities and women have had difficulty over the years in adapting to the climates that exist in these businesses."

Companies can make the culturally

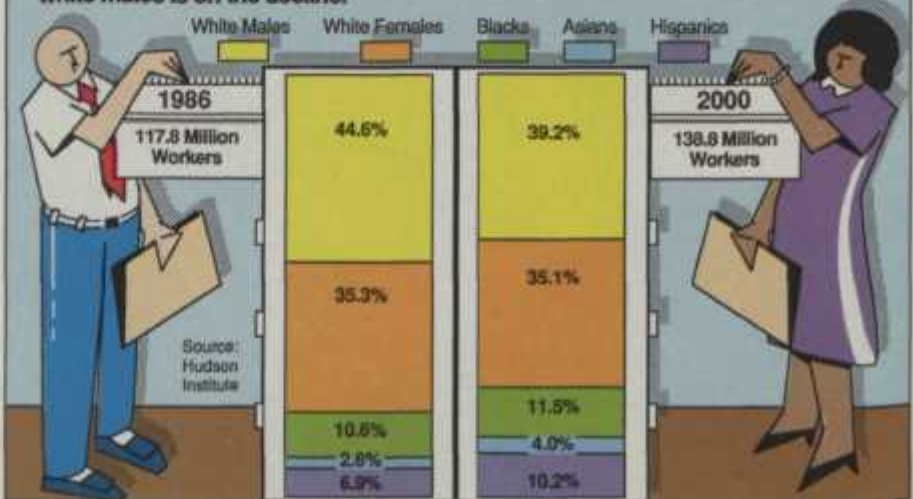
different worker feel uncomfortable or alienated by instituting rules that favor traditional white male culture—such as banning corn-row hairstyles popular among black women or setting dress codes that require white shirts and ties.

At more serious levels, companies often inadvertently prevent the advancement of women and minorities. White males may feel they can take the measure of another white male more easily or feel more comfortable with him, says Denise Cavanaugh. They may fear going out on a limb to promote a woman or a minority employee.

Or they may misinterpret the behavior of people unlike themselves. One of

Our Changing Work Force

Minorities will make up a larger share of the labor pool. The percentage of white males is on the decline.



Pace Foods President Kit Goldsbury, right, joins employees in the daily taste testing that assures the quality of his firm's picante sauce. He and his company are bilingual.

the Copeland Griggs videos demonstrates, for example, a scene in which a white male manager questions the wisdom of giving a promotion to an Asian because the Asian is reluctant to speak of his own personal achievements. In the manager's view, the employee has not shown that he can provide leadership; in the Asian's view, it is inappropriate to toot your own horn.

"Some cultures emphasize working as a team in a group; others emphasize individual pursuits," observes Andrew M. Geller, vice president of the Hay Group, a management consulting company. "Some value consensus-building; others emphasize competition and winners and losers."

The white male system that predominates in American business, many psychologists say, is marked by emphases on objectivity, competition and "getting down to business." "We're trained throughout our education to become critical thinkers and to be hard-nosed and adversarial," says Nancy Rule Goldberger, a co-author of a study called *Women's Ways of Knowing*.

But women tend to gain much of their knowledge subjectively—through intuition, for example. When they get into the business world, they find this kind of knowledge belittled by their male peers. They also are uncomfortable with the adversarial style favored by men. In fact, women and minorities frequently complain of being ignored in business situations even though their ideas may be better than those of their white male colleagues.

Managing diversity means not only tolerating differences but also supporting and nurturing them, says the Hay Group's Geller. One popular assumption has been that women aren't assertive enough and therefore need assertiveness training so that they can be more like men.

"I would prefer to see organizations that instead say there are different ways to make your points around here, and it isn't necessarily by being the most assertive about it," says Geller.

Smaller firms may have the advantage in managing diversity because they are more in touch with their individual workers and are more likely to accommodate their differences.

About 75 percent of the 180 employees at Pace Foods, Inc., in San Antonio are Mexican-Americans. Pace, which makes Pace Picante Sauce, is headed by a white male, President Kit Goldsbury.

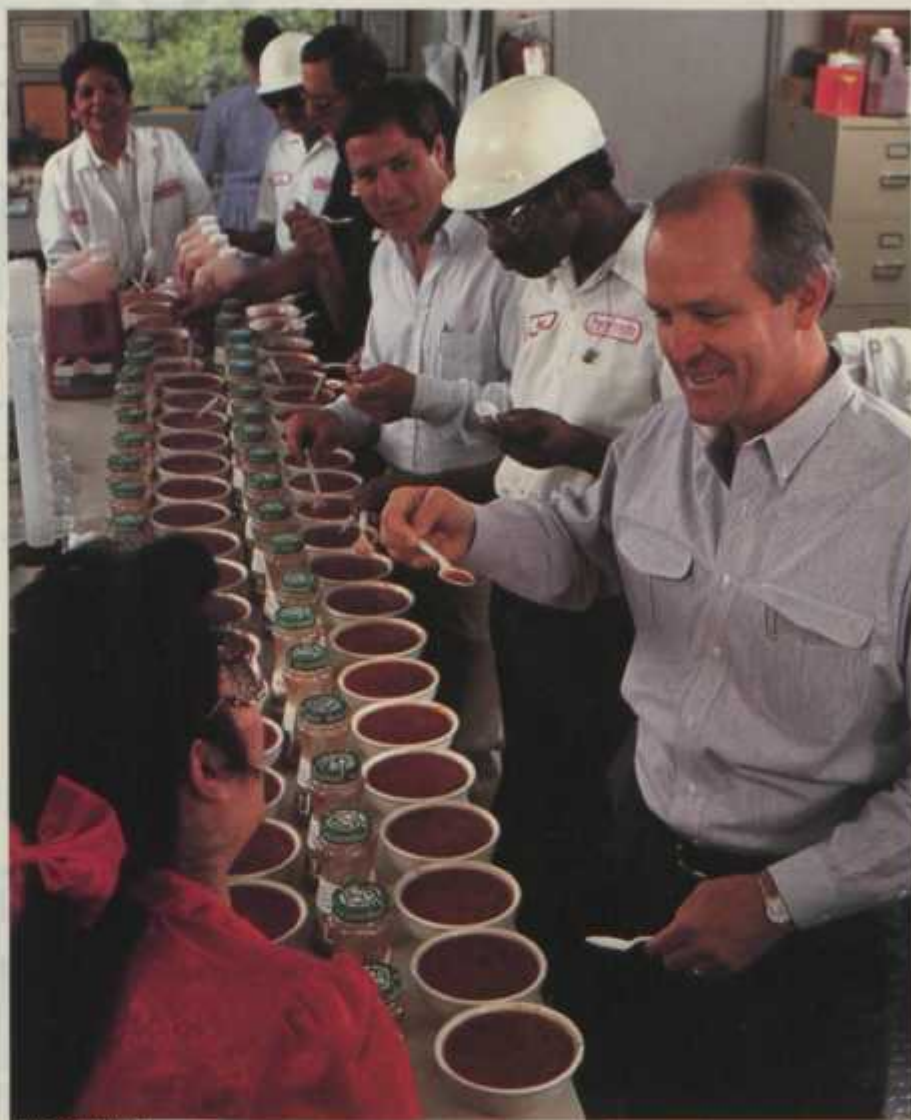


PHOTO: BOB GAZMIRICH

Goldsbury has been watching the demographics and knows that, if anything, he can expect still more Mexican-Americans in the company's future. And he's prepared.

"We're a bilingual company," says Goldsbury, who spent much of his youth on a family-owned ranch in Mexico, where he learned Spanish. Publications are printed in two languages, and even meetings are conducted in both Spanish and English.

Pace might have lost a good mechanic had it not been so flexible. One applicant took a company-required test and failed. "We gave it to him again in Spanish, and he scored very, very high," says Goldsbury.

At SBE, where the Asian workers are primarily Filipino, Brenda Roth says, "There was a lot of consciousness-raising when the Philippine government went through a complete

change two years ago." The company offered extended leaves of absence to people who wanted to go back to the Philippines to check on their families. Two employees accepted the offer.

SBE is headed by two white males, Thomas C. Andersen, chairman and CEO, and William R. Gage, president. But Roth credits them with creating an environment in which all kinds of people can develop and advance. Roth started as a sales administrator when she was hired five years ago, and she received several promotions before becoming a vice president. One Hispanic and three Asians hold management or supervisory positions. And last year, the company named a woman to its seven-member board of directors.

Does she see the possibility of a minority or a woman ever running the company? "Absolutely," she says.

In large companies, accommodating

What do you make the best-selling Make them



Introducing the IBM Wheelwriter Series II typewriters.

From the people who brought you the typewriters that secretaries prefer most—a new line of typewriters that offers even more.

Corrections are faster. Spelling is checked automatically. Displays are adjustable. And dozens of pages can be stored in memory.

Yet these new typewriters are remarkably easy to use, especially for

do after you office typewriters? even better.

frequent revisions. In just a stroke or two, you can erase words, move entire blocks of text, zip around the page, boldly emphasize a point and reprint unlimited originals. It's a whole new class of typewriters with the classic IBM touch.

If your needs change after you buy, so can these typewriters. They can be upgraded easily to other models that offer additional functions and displays.

And they come with new state-of-

the-art ribbons that give you superior print quality.

See this new family of typewriters at your Authorized IBM Typewriter Dealer. Just call 1 800 IBM-2468, ext. 55 for a dealer near you.

The IBM Wheelwriter®
Series II typewriters.
Everything you always
loved about IBM
typewriters.

And then
some.

*"Now that's
a typewriter"*



The Bigger Picture

COVER STORY

Meet Your New Work Force

diversity in a corporate culture is a more deliberate process. And one of the best examples of what a large company can do is Avon, with 30,000 employees worldwide.

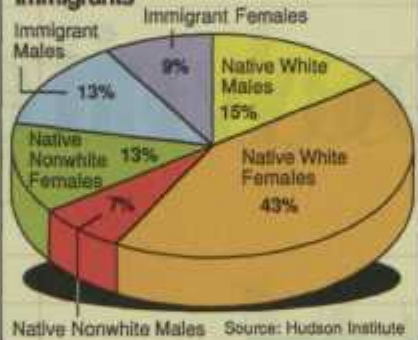
Four years ago Avon brought in Roosevelt Thomas and a San Francisco consultant, Ron Brown, to help it address its turnover problem. According to Jim Preston, Thomas and Brown first worked with top managers, helping them identify the subtle "negative assumptions" that existed in Avon's culture, such as "Asians generally make good technicians but not good managers," or "blacks inherently aren't as smart as whites." Over the next three years, all of Avon's middle managers were put through seminars that aimed at attacking such biases.

Three years ago Avon also created two positions with the unusual title of "director of multicultural planning," one post for the corporate office and one for the company's beauty-products division, which brings in 92 percent of Avon's \$3.2 billion annual revenues.

Daisy Chin-Lor, a Chinese-American

Entrants To The Work Force: 1985-2000

Most New Workers Will Be Nonwhites, Females And/Or Immigrants



born in New York, was moved into the beauty-group post from a marketing job. Top management, she says, wanted someone "who had not only the line-management mentality but could attack this like a business."

One thing that makes Avon's approach unique, says Chin-Lor, who was recently promoted to area director of human resources for continental Eu-

rope, is that it ties multicultural planning into its strategic plan.

Representatives of three ethnic networks—black, Asian and Hispanic—meet regularly with Preston and Avon's chairman, Hicks B. Waldron. Once, the minority delegation said Avon's process for selecting people for promotion left too much to the whims of a few people in upper management. In response, Avon last year improved its system of tracking employee skills. When an opening occurs, the candidate slating is done not by line management but by the human-resources department.

Says Preston: "We insist that there be a representation of women and minorities on every slate, and if there is none, we won't look at it until there is one or they tell us that for this particular position there just are no minorities. But we challenge it each time."

Although Preston says Avon is still "far from perfect," its approach is beginning to pay off. The company has increased the number of minorities at the director level from 15 to 22 since

For Help Learning To Manage Diversity

Managing diversity is a complex issue, especially if your work force contains many different cultural groups. For further study, you can buy or rent a three-part film/video training series, "Valuing Diversity," produced by Copeland Griggs Productions, 411 15th Avenue, San Francisco, Calif. 94118; (415) 668-4200.

The series deals with the issues of race, gender and cultural differences in the workplace and is accompanied by a training manual for each part.

The American Institute for Managing Diversity offers two-day seminars called "Managing the Diverse Work Force." For information and dates, call (404) 524-7316, or write to the organization at Box 83, Morehouse College, Atlanta, Ga. 30314.

Ask your professional and trade associations for help.

A number of associations—among them the American Newspaper Publishers Association and the American Society for Personnel Administration—have included the topic of multicultural management in their annual-meeting



PHOTO: ROBERT HOLMSEN

Husband and wife Lewis Griggs and Lennie Copeland are producers of the video series "Valuing Diversity."

programs recently. The ANPA Foundation also offers two-day "multicultural training" sessions for newspaper managers and their minority employees.

And read, read, read.

The American Management Association at 135 W. 50th Street, New York, N.Y. 10020, devoted the entire December, 1987, issue of its magazine, *Management Review*, to the topic of the advancement of blacks and women.

A new book offering insight into

trends in the Hispanic population is *Hispanic U.S.A.* (Harper & Row, New York), by Thomas Weyr.

The Copeland Griggs training manuals provide a lengthy reading list that includes such titles as *A Guide for Helping Refugees Adjust to Your/Their New Life in the United States* (Center for Applied Linguistics, Washington, D.C.) and *Industrial Relations in a New Age*, edited by Clark Kerr and Paul D. Staudohar (Jossey-Bass Publishers, San Francisco).

Most important, get to know your own workers.

Exercise your curiosity, urges Washington organization-development consultant Denise Cavanaugh.

Learn to celebrate everybody's holidays. If you have Asians or Hispanics on your staff, find out about the distinctions within these larger groups. Mexican-Americans, for example, differ greatly from Cuban-Americans or Puerto Ricans.

"It's a simple matter of personal attention to the fact that there are a variety of people who have different motivations, different backgrounds and different values for themselves," says Cavanaugh.

"We need to appreciate what those are."

At Avon, representatives of Asian, Hispanic and black networks meet regularly with the top brass. In session with Chairman Hicks B. Waldron, second from left, and

President James E. Preston, standing, are, from left, Daisy Chin-Lor, Sonia M. Green, David H. Snipe, Jr., and Ronald M. Shane.

1986. Over 60 percent of its managers are women, and 13 women hold senior management positions.

A company still has a choice. "A uniform set of expectations and rewards makes sense when you've got a fairly uniform work force," says Andrew Geller. Senior management can still insist on uniformity even in a diverse work force. Both diversity and uniformity, he says, are "viable alternatives."

Large or small, if your company chooses the approach of managing diversity, here are some of the measures you can take:

- Aim for an environment where no one has an advantage or a disadvantage because of race, sex, ethnic origin or creed. This includes white males, says Roosevelt Thomas.

- Identify the elements in your corporate culture that prevent you from retaining good minority and female employees. You may find prejudices that serve as deterrents, or that some of your systems, like Avon's promotion system, need to be altered.

- Couple awareness or sensitivity training with action. Accepting and valuing diversity is a formal goal of the Hoechst Celanese Chemical Group in Dallas, and its managers are put through training to make them aware of prejudices. But, says the group's human-resource manager, R. W. (Bob) Swanbeck, they are also rated on how well they meet employee equality objectives as part of their performance appraisals.

- Take on some of the burden of adjustment. When you expect minorities and women to do all the adapting to your culture, you sap them of energy that could otherwise go into their work. Pace Foods not only offers classes in English to its Hispanic workers, but also provides Spanish lessons for its English-speaking employees.

- Help minorities and women fit in and advance. Make sure they understand the unwritten rules of your organization. Look for development opportunities for them. Some companies this year, for example, will be sending promising women managers to one of six four-day seminars called "Executive Women Workshop: Development for Women as Leaders." They are sponsored by the Center for Creative Leadership of Greensboro, N.C.

Does managing diversity well really help the bottom line? It's too soon to tell, but Brenda Roth says SBE's di-



PHOTO: ALAN GORON

verse work force has helped the company grow from 17 employees in 1982 to its present 100 employees and \$9 million in annual sales. And Preston says that sales and profits for the Avon beauty group have been "straight up" during the past 2½ years.

When it comes to valuing diversity, Preston is a true believer. Instead of thinking of the United States as a melt-

ing pot, he says, "I'd rather view it as a mosaic—composed of many cultures, many races, many colors, many religions. We all have to recognize that America's greatness is a result of the fact that we are this beautiful mosaic, the only one in the world." ■



To order reprints of this article, see page 54.

Should You Have A Language Policy?

Language can be a source of friction in a company with a diverse work force.

At SBE, a computer-products manufacturer in Concord, Calif., some black employees became upset when Filipino workers spoke their native language on the plant floor.

Their supervisor called representatives of the two groups into his office to discuss the matter, recalls Brenda L. Roth, SBE's vice president of administration. What he learned was that one of the black employees was angry because he thought one of the Filipinos was talking about him.

"I wasn't talking about you," the Filipino responded. "I was talking about the date I had last night and maybe his name sounded like yours."

Getting the involved parties to talk about the problem cleared the air, says Roth. "There hasn't been a complaint like that since."

There was some discussion of adopting an English-only policy on the floor, Roth says, "but we were able to defuse the problem before it got to that point."

John W. Aldrich, a Shelton, Conn.,

consultant for human-resource development, says that some people—including managers—"become intimidated by workers who speak Spanish or other foreign languages because these people don't know what's being said." They react by saying no foreign languages should be used in the workplace.

"A person should be able to speak any language as long as the receiver of the information understands what's being said," says Aldrich. "The only time a foreign language would become a problem is when the speaker is not understood and it is important for the person to be understood in order to get a job done."

In their videotape series, "Valuing Diversity," San Francisco training film producers Lennie Copeland and Lewis Griggs say use of a foreign language can sometimes harm work relationships, especially if it is seen as a way to exclude those who do not speak the language.

But, they point out, it's tough to speak a second language all day. "Those who speak only English should learn to accept other people's need to speak their own language, but it also makes sense for all employees to either use the dominant language or to let others know what is being discussed."

Getting With The Program

By Ray Brady

Recently I went to the office of a major discount stock broker in New York City. In the boom days of the bull market, whenever CBS News needed pictures of small investors clamoring to buy stocks, this particular office never failed us. Crowds of investors were always there, their eyes glued to the stock prices moving across the electronic ticker.

On my recent visit the office was almost empty. Just a couple of investors, staring languidly at the prices. When I asked one what he liked in the market, he snorted: "Nothing—the whole market's rigged."

The market isn't rigged. That investor, though, was giving voice to a frustration that is being felt by thousands of investors, big and small, across the country.

It is a frustration brought on by what is known as program trading—and, whether or not Wall Street fully realizes it, program trading and its impact on stock prices are a major problem for the financial community.

Simply put, investors are losing faith in the stock market as a place to put their money, and that loss of faith has not been caused solely by the massive 500-point drop in the Dow Jones Industrial Average last October 19. The high-powered, computer-driven programs for buying stocks and stock futures are another cause.

In what is called index arbitrage, portfolio managers and traders hedge the stocks they hold by selling stock-index futures contracts, usually on the Chicago Mercantile Exchange.

If that sounds complicated, there is only one point you need bear in mind: The computers sling hundreds of millions of dollars around, between the Chicago and New York exchanges, and in the process they can cause stock prices to gyrate wildly—thus imposing big losses on many hapless private investors.



PHOTO: STEVE LEONARD—BLACK STAR

Stock prices can gyrate wildly as hundreds of millions of dollars pass between the Chicago Mercantile Exchange, above, and Wall Street.

Such an investor may have gone into the market and bought, say, 100 shares of International Business Machines. Perhaps, at the time, the earnings outlook for the company seemed bright, the market was rising, and the economy was on a steady, upward course. But then, with no change in the outlook for the stock or the fundamentals of the economy, IBM took a plunge—the result of program trading.

Why shouldn't the investor decide to be more careful about where those investment dollars go in the future?

Ever since Black Monday, net sales of equity mutual funds have been off by somewhere around 50 percent; they now are running at an annual level of about \$20 billion.

Many small investors used to play the options markets; those sales, too, are way down. Indeed, many friends in the investment community have told me that they are losing money on retail trade, the business that they do with the small investor.

In The Street itself, all kinds of finger-pointing is going on. Five of the biggest houses have announced they

How should investors respond to the market when prices swing wildly on a computer's whims?

will do no more program trading for their own accounts.

Even so, as George Ball, the chairman and chief executive officer of Prudential Bache Securities, found out, such measures have not changed many investors' opinions.

The firm recently surveyed a number of its customers. According to Ball, almost half of those customers felt "cheated" by the way program trading dominates the market.

While you're waiting for Wall Street to somehow come to grips with this problem, what should you be doing?

Some analysts say you might want to look at the new closed-end, fixed-income funds. Closed-end means, of course, that these funds have only a specific number of shares outstanding (unlike open-end funds); they trade on stock exchanges just like shares of IBM or General Electric.

Their main appeal is simple. These funds have yields in some cases that run to around 10 to 12 percent.

And if such an investment sounds too safe for you, consider what I heard recently from one of the most dynamic money managers around, a professional with a truly outstanding investment record. He suggests that most conservative of all investments, Treasury bills. Says he: "There's no sense trying to play games with this market." ■



Ray Brady is the business correspondent for CBS News.

Manage With Ease



With Executive Seminars in Sound.

You don't have to be a genius to be a successful manager. "Executive Seminars in Sound" can teach you the techniques you need for more effective management of your business. Each of the eight, easy-to-follow audio cassettes spotlights the challenges you face every day and gives expert advice on how to meet them.

The 45-minute tapes cover:

1. How to Get Your Ideas Across
2. Your Role as a Decision Maker
3. Better Management of People
4. Mastering the Art of Delegating
5. Make the Most of Your Time
6. Organizing Your Plans and Planning Your Organization
7. Strategies of Moving Ahead
8. How to Live with Your Own Success

The convenience of cassette tapes, in a compact binder, enables you to listen in your car, at the office, jogging or at home. You'll also receive a study guide with a written synopsis of each tape.

You'll profit for a lifetime from a \$95 investment in "Executive Seminars in Sound." Order your set today. If you are not satisfied, return it within 15 days for full refund.

Try it for 15 days FREE

Guarantee: Send me "Executive Seminars in Sound." If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for \$95.

☐ Bill my credit card: ☐ AE ☐ VISA ☐ MC ☐ Choice

Card No. _____ Exp. Date _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

Nation's Business Executive Seminars Division, 1615 H Street, NW, Washington, D.C. 20062
California and D.C. residents, add sales tax.

NB0788

CALL
TOLL FREE
1-800-345-8112

Pa. residents call
1-800-662-2224



Breaking Up Is Hard To Do

By Peter Wylie and Mardy Grothe

That rotten SOB! After all I've done for him over the last 20 years, and that's the way he treats me? Well, he ought to think again. My lawyer's got a nice little surprise waiting for him!"

Sound familiar? The cries of an angry wife railing against her husband during a stormy divorce? A good guess, but wrong. This was a man we recently overheard in a Boston restaurant. He was talking about his business partner.

It reminded us of how much the business partnerships we've seen over the years look like marriages. They begin with heady dreams. They bristle with excitement through a start-up period that's much like a honeymoon. They settle into a "reality" phase when the bloom leaves the rose. Then, sadly, many of them sink into a prolonged period of disenchantment. Cracks widen into crevasses between the partners. Then one day a partner wakes up and says, "I can't take this any longer." And a painful separation and divorce unfold.

If you're in a partnership—or if you've been through a partnership breakup or are about to endure one—two questions may come to your mind:

Why do business partnership "divorces" often seem even more painful, drawn out and costly than marital ones?

What can you do to make the divorce process and the years that follow it as painless as possible?

We recalled the bitterness of some of the partnership splits that we had seen over the past decade. Court battles dragged on for years. Hundreds of thousands of dollars were paid to opposing attorneys. Workers either left the company disgusted or were pushed out the door when the organization was gone.

Because a business partnership is not a marriage, it suffers more from strains that derive from relationships between people.

Peter Wylie and Mardy Grothe are partners in Performance Improvement Associates, a management consulting firm based in Boston and Washington that specializes in "organizational marriage counseling" with business partners.



ILLUSTRATION: CAMERON GENLACH

Unlike married couples, business partners don't have a cultural tradition of affection and caring.

Both of us have been through the pain of divorce. We know that even in the "amicable" splits, a lot of anger boils just under the surface. In the "spicier" ones, the rage is right there for all to see.

If you're married and going through a divorce, you usually have a base of affection that can soften your resentment, or at least allow you to stay friends after the marriage is legally dissolved. But not in a partnership. You operate in a milieu where the emphasis is on success, not on relationships.

Chances are you never even thought about the fact you were entering into a significant relationship with other people when you started your partnership. Your focus was on the freedom, the opportunities and the wealth that hooking up with your prospective partners would give you. Only after you had worked and struggled with each other for a while did you realize you were hooked up with people you did not like or respect very much.

The financial stakes in business partnerships are generally much higher than they are in marriages.

Although in many divorces there's not much property to be divided—particularly when the spouses are young

and just starting their careers—in most business partnerships there is a lot at stake financially when the partners decide to split up.

If you and your partner decide it probably would be best for all if the two of you went your separate ways, it might not be easy financially if the company has grown to be worth a few million dollars or more. Each of you would have a tough time raising the cash to buy out the other.

So what do you do? Do you stick it out with each other in spite of your misery? Do you take on a heavy financial burden to buy out your partner? These are the kinds of financial dilemmas many partners face when they consider getting divorced.

Troubled business partners think they don't have marriage counselors to turn to—only lawyers.

There's no widespread field of professionals who do for partners what marriage counselors do for couples. So maybe you turn to the company lawyer or accountant. They know you and your partners, but what can they do? Probably offer some "Dutch uncle" advice, such as: "Try to be a little more patient and understanding with each other." "You're all taking this whole thing too seriously. Life's too short for that."

Their advice makes good sense, but, try as you might, you can't follow it. If

A split-up between business partners does not have to be—as it often is—costlier and nastier than a divorce between spouses. There are ways to minimize the pain of the process.



you could, you wouldn't need outside help in the first place. So, if you can't work things out on your own, the chances are good that each of you will turn to litigation.

One of you may win eventually. But, overall, your losses are heavy. You might spend months or years in expensive litigation.

During this time your stress level can get dangerously high. Your customers and clients can't get the service you used to give them. And many of the pleasant memories of your business and your partners get painted over with rancor and resentment.

Enough on the down side of partnership divorces. Earlier we promised you some answers to the question of what you can do to make the divorce process and the years that follow it as painless as possible. These are some ideas we've come up with over the years:

A little preventive maintenance may be all you'll need to avoid the whole mess.

It's surprising how little effort it sometimes takes to turn a pretty unhappy relationship into a fairly satisfying one. Most business partners just don't put out the effort. But if you're willing to divert some attention from the business success of your partnership and channel it into your relationships with your partners, you may nev-

er experience the pain of a partnership divorce. For example:

- Take the time to care.

Your partners have pains and problems just as you have. Every now and then, just sit down with them and find out how things are going in their lives. Don't jump right in and tell them all your troubles. Keep the focus on them. Listen. If there's something you can do to help out, offer your help.

- Get touchy subjects out on the table as soon as you can.

All business partners have touchy subjects in their relationships with each other: Jim has more stock in the firm than Bob feels he deserves; Sarah bristles at Jake's condescending attitude toward women; Terry cringes every time Pat gets into a second martini at a lunch with clients.

Most partners would rather cut off a toe than discuss these subjects with each other. They think bringing up this kind of subject will open Pandora's box and make things between them worse.

But if you don't talk about these kinds of things with each other openly and honestly, the quality of your relationships will suffer. Your levels of trust and respect and affection and confidence in and for each other will fall.

- Keep trying to put yourself in your partner's shoes.

This is the hardest thing you'll ever

do in a personal relationship. The two of us fail at it all the time in our own partnership. Whenever we get into a tiff, each of us tends to see the other as the bad guy. It's only after the storm of the fight has passed that we catch ourselves musing: "Sorry, I didn't stop to think about it from your point of view."

Get some outside help.

We think the issue of getting outside help for a struggling partnership raises questions of when to get it, what kind to get and where to get it.

When do you get it? Most business partners, like most married couples, wait far too long before they go—if they ever go at all—to a neutral third party who can help them talk out their differences. We recommend that if you have even an inkling that your partnership could benefit from some outside help, follow your instincts.

What kind should you get? See someone who can help all of you sit down face-to-face and talk out your differences. This person—preferably someone with training in psychology, marriage counseling or group therapy—can help you bring to the surface your feelings toward each other before getting you to talk about how to resolve your differences.

Whatever happens, try to learn as much from the process as you can.

A divorce is a crisis. And one of the nice things about crises is that they can be wonderful learning experiences—if you let them. Unfortunately, many couples and business partners who emerge from them are so bitter and resentful that all they learn from the experience is how terrible their spouse or partner was. And that's a shame, because unloading all that blame on the other person masks the many ways you contributed to the break-up.

It's painful to look at your own flaws and foibles and how they helped cause the split between you and your partners. But that pain can help you to see yourself as you really are. It can help you identify areas where you want to make some changes. And, most important, it can help keep you from repeating mistakes that caused some of the pain in the first place. ■



To order reprints of this article, see page 54.

Going To The Dogs (And Cats)

By Sharon Nelton

The Iams Company has always made superior pet food, and now Clay Mathile has decided to tell the world about it.



PHOTO: MARCY HIGHWANDER

Since Clayton L. Mathile took over in 1982, annual sales of the Iams Company, a high-nutrition pet-food manufacturing firm in Dayton, Ohio, have climbed from \$10 million to more than \$100 million, and the number of employees has risen from 50 to 275.

Iams' products, once sold only in Ohio, Indiana and Illinois, and formerly advertised only by word of mouth, are now sold throughout the United States and in Europe and the Far East.

Mathile must be doing something right.

Iams is hardly a household name, but a \$9 million national advertising program is beginning to change that. When Iams' first general advertising campaign began in January, the super-premium segment became, according to *Advertising Age*, "the hottest part of the \$6.3 billion pet-food market."

Clay and Mary Mathile enjoy an outing with the ultimate Iams consumers, their giant schnauzer Krista and miniatures Koko and Muffie.

The campaign—"Special pet foods found only at special stores"—is aimed at luring pet lovers out of supermarkets and into pet stores, feed stores and veterinarians' offices, where Iams pet food always has been sold.

Although Iams' products generally cost 20 percent to 35 percent more than pet food available in supermarkets, Mathile is betting that consumers will pay the difference if it means making their animals healthier.

Since its founding, the company has aimed at producing "nutritionally complete" pet foods and claims that its heavy reliance on animal protein, instead of the grain proteins found in

many of its competitors' products, gives Iams the edge.

Clay Mathile, 47, grew up on a farm in northern Ohio. He received a bachelor's degree in business administration in 1962, married his high-school sweetheart, Mary Maas, and went to work as an accountant for General Motors in Toledo. A year later, he joined Campbell Soup Company in Napoleon, Ohio, and by the age of 25 he was an assistant purchasing agent, buying dairy, cereal and meat products. That exposed him to merchants in the meat-purveying business.

"What I saw in those guys was that they had a pride in what they were doing, and they enjoyed it," says Mathile. And he got the itch to run his own business.

In 1970, through a friend, he met Paul F. Iams, a self-taught nutritionist who had started the Iams Company in

MOST OF WHAT WE HAD TO SAY ABOUT BUSINESS THIS MORNING WAS UNPRINTABLE.



**NATION'S BUSINESS TODAY® ON ESPN®
WITH THE LATE-BREAKING STORIES THAT
MORNING PAPERS JUST CAN'T COVER,
WE GIVE YOU A COMPETITIVE EDGE.**

The business world is still up after most newspapers have been put to bed. So a lot of what happens overnight catches them napping. And if you're not careful, it might catch you too.

Which is why you should wake up with "Nation's Business Today" on ESPN.

Starting every weekday at 6:30 AM (ET), "Nation's Business Today" brings you two hours of up-to-the-minute business news. Broadcast live from the nation's capital.

We cover all the latest financial and economic developments across America and around the world. In a consistent feature format that makes it easy to find the information most critical to your own business.



We also provide interviews with today's business leaders. Special reports on small business, technology, international trade, investment opportunities and the movers

and shakers on Capitol Hill. And even weather forecasts for business travelers.

With their own unique blend of insight and analysis, our anchors will give you an insider's perspective

on where the business world is heading. Carl Grant is an award-winning anchorman and investigative reporter as well as a nationally renowned business and government expert. Meryl Comer is an Emmy Award-winning producer and journalist. Together, they bring more than 40 years of solid business news expertise to ESPN. But it should come as no surprise that a network so acclaimed for covering tough competitors at play would be equally good at covering them at work.

"Nation's Business Today" on ESPN. Just listen to what our experts have to say about the day's business. And hear the kinds of things that the morning papers find unprintable.

Daily News Schedule

(All Times Eastern)	1st 1/2 hr	2nd 1/2 hr	3rd 1/2 hr	4th 1/2 hr
Top Business News	6:30	7:00	7:30	8:00
Financial News	6:35	7:05	7:35	8:05
Small Business News	6:40	7:10	7:40	8:10
Special Business Features	6:50		7:50	
CEO Close-Ups		7:15		8:15
Internat'l Business Line		7:25		

MANAGING YOUR BUSINESS

Going To The Dogs (And Cats)

Making Iams grow so that it can continue to provide opportunities for the people he has hired is Mathile's goal.

1946. Iams (rhymes with "times") was looking for someone who could learn to run the business.

One incident helped convince Mathile he wanted the job. Iams gave him a couple of bags of dog food after an interview, and on the way home, he dropped the food off at his parents' farm for Queenie, a "scruffy-looking" mixed breed.

Several weeks later, he returned for a visit, says Mathile, "and here comes this dog, lively and bouncy and with a magnificent coat. I said, 'Dad, is that Queenie, or did you get a new dog?'"

"No," the elder Mathile replied. "That dog feed has done this to Queenie."

An agreement was struck: Mathile would become Iams' manager for a percentage of the profits, starting at 5 percent and graduating over time to 35 percent. The company's sales were less than \$1 million a year in a \$4 billion market, and Mathile saw "an opportunity to prove that I was good."

Under the wage and price controls of the early 1970s, Iams could not raise the price of its dog food, then the company's only product. To keep costs down, some of Iams' competitors altered their formulas, lowering the quality of their products. But Iams and Mathile decided not to go that route. Over time, that decision to maintain quality would build customer trust, but in 1973, it meant losing money.

When 1974 looked like another losing year, Paul Iams wanted to sell out. Instead, Mathile offered to buy part of the company, and Iams agreed to sell him half for \$100,000.

Mathile decided there had to be a better way to market the product than word of mouth. He bought the compa-



PHOTO: MARCY RICHMAN

ny's first ad—a quarter-page in *Dog World*—"then I went to every dog show in the area." Dog owners from around the country began to ask for the product, and Mathile responded with a direct-shipment program. By 1975, Iams was making money again.

But, from his personal contact with customers, Mathile had learned he would have to alter the product. "It looked like potting soil," he says. The dogs had trouble eating it: "They'd sniff it up their noses, and they'd spit it out, and they'd cough." With the help of a pet-food equipment manufacturer, Mathile found a way, in 1976, to make the product in pellet form without compromising its nutritional value. Within two years, sales doubled. They doubled again in 1979.

In 1981, Paul Iams decided to retire, and the following January, Clay and

Mary Mathile signed the papers to buy him out. Mathile decided then that he had to make the transition from being an entrepreneur to being a professional manager.

He took the American Management Association's course for company presidents and set in motion Iams' first strategic-planning process.

He revamped his top management team. He put together a board of directors made up of his attorney and some friends and quickly learned he had already outgrown them. He organized a new board, this one made up of top management from companies like Dayton Hudson and Tupperware—people with the experience to help him take Iams where he wanted it to go.

The company that for so long sold only one kind of dog food now produces puppy food, cat food, kitten food, dog biscuits and food for performance dogs. Exports now account for 5 percent of sales and are expected to reach 25 percent by 1995.

In describing their corporate culture, Iams' managers make the company sound like the farm, with an ethic of hard work and family-like closeness.

Home life for the Mathiles is not much different. "Having fun" usually means family activities—the Mathiles have five children, ages 15 to 25. Mary Mathile, who also grew up on a farm, is a valuable sounding board. Candidates for high-level jobs at Iams have to pass the "Mary test"—Mathile relies on her reading of how they think and how they will get along with him. "A couple of times, we went against her recommendation, and in both cases, we fell right on our face," says Mathile. "They just couldn't fit into the culture."

Employees say Mathile's ability to deal with and care about people is one of the keys to his leadership.

"All of us have different needs, and he's able to touch each of us in a way that really creates commitment to his company and his dreams," says David J. Tooker, vice president of marketing and sales.

That doesn't mean Mathile is easy to work for. "When we do our strategic planning," says John Polson, vice president of manufacturing, "we plan five years in advance, and Clay's vision is probably eight to 10 years in advance." That can make him impatient sometimes: "He always seems to be ahead."

But that, adds Polson, "is where he should be." ■

Be Good To Your Suppliers

One of the secrets of Clay Mathile's success is his attitude toward Iams Company's suppliers. He works on building their trust, he listens to their suggestions, and he pays them on time.

If you do right by your suppliers, he contends, they will give you the benefit of their technological knowledge and help you solve problems. If you stretch your payments out, he says, your sup-

pliers will take their good ideas to the company that pays on time.

When Iams needed an ingredient with less variation in fat and protein for one of its products, for example, the supplier solved the problem by devising a new blending process for the ingredient. "It's a competitive advantage to us now," says Mathile. "Without using that ingredient, there's no way a competitor can duplicate our product."

Payment, he observes, is more a matter of integrity than money. "It's a commitment that you made to make good on something."

The difference between a child behind the wheel of a play car and a drunk behind the wheel of a real car is that only one of them is funny.

Keeping drunk drivers off the roads is serious business. To that end, we've developed an enzyme called Alcohol Oxidase that makes sobriety testing more accurate than ever. And it makes it faster, because it can be administered and analyzed right there on the spot.

Alcohol Oxidase manufacturing is only one of the breakthroughs in biotechnology we've patented. Through our Provesta Corporation subsidiary, we're making high-protein food supplements for creatures as small as a fish and as big as a horse.

For the human animal, biotechnology has led us to research in medicines that could break up blood clots, stop heart attacks in progress, and reproduce the body's natural cancer-fighting agents. And we eliminated the headaches of pain reliever manufacturers with research and development advances that make their new formulations possible.

Whether it's keeping the roads safe for our children or paving new roads to health, we're in the driver's seat and headed for the future.

For more information write to Patricia Marshall, Phillips Petroleum, 16D-4 Phillips Bldg., Bartlesville, OK 74004.

Phillips Petroleum Company
Performing to meet
the challenge of change.



Circle No. 30 on Reader Service Card.



**IT'S SOBERING TO THINK
THAT KIDS TAKE DRIVING MORE SERIOUSLY
THAN SOME ADULTS.**

Clamp A Lid On Company Secrets

By Jane Easter Bahls

With turnover of management employees on the increase, many businesses find it increasingly difficult to retain one of their most precious commodities: their trade secrets.

Employees leaving one company for another routinely walk away with product information, customer lists and marketing plans, sometimes unintentionally. For the company whose secrets have slipped out, the impact on its competitiveness can be disastrous. For the former employee, the result can be a lawsuit.

Henry Silverberg, a partner in the Los Angeles law firm of Stroock, Stroock & Lavan, attributes the difficulty of protecting trade secrets partly to uncertainties in defining them. For instance, many companies consider information about their customers to be trade secrets. But is it a theft of a company's secrets when an employee moves to another firm and then keeps in contact with former customers?

"People have a natural tendency to try to maintain and continue relationships with previous accounts," says Silverberg. And in the absence of an employment contract, "people are not bound to work for a company for an unlimited period of time."

Silverberg says that determining whether an employee's actions constitute stealing trade secrets is often a matter of degree. "Physically removing a document—even if I copy it and leave the original—is taking something that belongs to my employer," he says, and taking a customer list in that way would rank close to outright theft.

But former employees often reconstruct a customer list—not by stealing documents but by consulting trade publications or simply by remembering the names of former contacts. Courts usually do not forbid employees to use information that is remembered or reconstructed. In a recent federal court decision in Chicago, U.S. District Judge Milton I. Shader wrote: "Any other rule would force a departing employee to perform a prefrontal lobotomy on himself or herself."

Jane Easter Bahls is a free-lance writer in Missoula, Mont., who specializes in legal and business topics.

Many states have laws protecting trade secrets. The most common is the Uniform Trade Secrets Act. Adopted in 19 states and under consideration in several others, the law protects trade secrets provided three conditions are met.

First, the trade secret must have "independent economic value" to people outside the company. Learning another company's formulas, techniques, pricing

its dance steps to Fred Astaire customers. The court refused to recognize a dance step as a trade secret, saying it simply wasn't secret.

Third, the owner of the secret must try to maintain secrecy. "It's like exercise," says patent attorney Robert B. Hughes of Bellingham, Wash. "The benefits [that owners] get out of trade-secret law is proportional to the effort they put into it."



ILLUSTRATION: KENNY HOOBER

information, sales forecasts and customer information could give a firm a competitive advantage, so these types of information may be protected.

On the other hand, learning the other company's management structure or the won-lost record of its volleyball team would not be likely to have economic value, so that information may not be protected.

Second, the secrets must be generally unknown and unlikely to be discovered by lawful means. If a customer list could be drawn up from information in a trade directory, a court would not consider the list a trade secret.

Likewise, no company can protect information that is generally known. In a frequently cited Ohio case, an Arthur Murray dance-studio instructor went to work for a Fred Astaire dance studio across town. The Arthur Murray firm sued to keep the instructor from teach-

ing its dance steps to Fred Astaire customers. The court refused to recognize a dance step as a trade secret, saying it simply wasn't secret.

In one case, Gordon Employment, a Minneapolis temporary-employment agency, sued for a restraining order to keep a former employee from soliciting Gordon's customers. The court refused to issue the order, saying that Gordon's temporary-employment applications and client information were not confidential. The company did not label the information confidential, had no written policy on confidentiality and kept the information in an unlocked file in the reception area.

The court said "an employer cannot complain of the employee's use of information if the employer has never treated the information as secret."

The decision went the other way.

It's easy to prevent departing employees from making off with the typewriters and the photocopier, but how do you keep them from walking off with the firm's trade secrets?

however, in a case involving Surgidev Corporation of Goleta, Calif., which makes intraocular lenses that are implanted during cataract surgery. Surgidev sued former employees who had taken documents listing the specific product preferences of Surgidev customers, had formed their own company and then had begun soliciting Surgidev customers.

The court issued the injunction on

leased only to those employees who need to know it. Confidential documents should be numbered consecutively and logged in and out.

- Store in locked cabinets all programs and documents containing trade secrets, and consider controlling access to the storage area.

- Shred any documents containing confidential information before discarding them. B.C. Ziegler and Company, a

employee a copy of the confidentiality agreement he or she signed.

Just as employers can take steps to protect trade secrets, employees can minimize their chances of being sued for stealing secrets. "Employees tend to collect a lot of paper and develop their own files," says attorney Silverberg. He says that as employees are packing up to leave a company they sometimes survey all their files and say to themselves: "I don't know what I'm going to need, so I'll box it up and throw it in the trunk of my car." If the employer later sues, possession of all those files can be incriminating—even if they were never used.

"You ought to think very carefully about what you physically remove," says Silverberg. He suggests that employees consult with their employers about what may be removed in the departure. Those who decide to take some files should do so openly, in the daytime, he says. "Coming in at night or on a weekend may suggest that you knew you weren't supposed to do it."

Fortunately for employees, courts tend to consider the situation as a whole to determine whether the alleged theft was intentional. "Unlike patent law, which is very technical, trade-secrets law tends toward what's fair," says patent attorney Hughes. He says that courts generally look for a pattern of deceit and sneakiness before finding an employee guilty of stealing trade secrets.

Silverberg agrees. "In a nutshell, the issue comes down to one of fairness. Is it fair for the employee to use the information in his next place of employment?"

He notes that courts frown on employees taking—and exploiting for the previous firm's competitors—information that the previous employer had developed at great expense. However, if the employee has been deeply involved in developing that information, it's less likely—without an agreement to the contrary—that he or she will be barred from it. After all, Silverberg says, "when you work somewhere for 20 years, you develop a lot of know-how." ■



grounds that Surgidev had taken ample precautions to protect its trade secrets. Access to the company's administrative headquarters was restricted, secret information was distributed only to those with a "need to know," and all files containing customer information were locked up. As an additional safeguard, employees were required to sign non-disclosure agreements.

As Surgidev demonstrated, effectively protecting trade secrets requires an aggressive program of control.

To minimize the chances of secrets leaking out—and to lay groundwork for an injunction to prohibit their use if they do get out—a company should take the following precautions:

- Mark as confidential all documents and programs containing trade secrets.
- Limit employee access to information, and establish a written policy that confidential information will be re-

Wisconsin securities underwriter, learned this rule the hard way. A scrap dealer who bought six boxes of Ziegler's waste paper for \$16.75 developed a list of Ziegler's customers and prospects, and then sold the list to a Ziegler competitor. Ziegler had to go to court to stop the leak.

- Prepare a solid confidentiality/nondisclosure agreement for employees to sign when hired. Because employment arrangements usually cannot be changed unilaterally by an employer, any changes should be made when the employee receives something in return, such as a contract renewal or a raise. Often coupled with such a document is the employee's agreement not to compete after leaving the company.

- Conduct exit interviews with employees, reminding them of their obligations to keep confidential information secret. The employer should give the



To order reprints of this article, see page 54.

Fifty years ago, the invention of Xerography revolutionized office productivity. Today, Xerox 50 Series Copiers do it again.

Fifty years ago, a man named Chester Carlson invented a process called Xerography. And forever revolutionized the way documents are processed in the office.

Today, Xerox announces the next revolution in office productivity—new Xerox 50 Series Copiers, the latest advance in document processing. Copiers that are more productive—by *design*. Highly advanced in technology. Yet totally simple in operation. And productive beyond your expectations.



XEROX

Every one of the 50 Series Copiers you see here, from desktop to duplicator, sets new standards in copy quality, reliability and ease of use. They maintain their copy speed, even on tasks that slow other copiers down. And their utter simplicity of design gives new meaning to the terms "minimum maintenance" and "maximum up-time."

So whether you need a single copy or a hundred copies of a report fully bound, there's a Xerox 50 Series Copier to get

the job done. More efficiently. More easily than any other copiers since the invention of Xerography.

50 Series Copiers are backed by the expertise and support of Team Xerox, the world leader in document processing. To find out how 50 Series Copiers can make the processing of your documents more productive, call 1-800-TEAM XRX, Ext. 283C.

Team Xerox.
We document the world.

I'd like to learn more about the Xerox 50 Series Copiers.

☐ Please send me more information.

☐ Please have a sales representative contact me.

Send this coupon to:

Xerox Corporation, P.O. Box 24, Rochester, NY 14692

NAME Please Print _____ TITLE _____

COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

If you can't wait, call

1-800-TEAM-XRX, Ext. 283C

(1-800-832-6979, Ext. 283C)

007-07-88

XEROX® and 50 Series are trademarks of XEROX CORPORATION.

Circle No. 55 on Reader Service Card.



XEROX

50

50 YEARS OF INNOVATION

Taking Stock Of Your Broker

By William Hoffer

Let it be known that you have money to invest in the stock market, and some 14,000 professional prognosticators will try to give or sell you advice.

Major brokerage houses employ analysts to study market machinations and suggest investment vehicles—advice that accounts for up to 5 percent of the commission on each transaction. In addition, there are more than 400 privately published newsletters willing to sell you their own stock-market projections.

Whose advice should you follow? That depends upon your investment objectives, but it is also surprisingly and inextricably linked with your personality. Are you a fundamentalist or a technician? You must decide before you begin following any stock-market guru's advice.

The world of the stock-market adviser is divided into two hemispheres that sometimes coexist and other times clash. The two philosophies are built upon opposing views of the term "stock market."

Fundamental analysis concentrates on the stocks themselves, assaying the current and potential value of the companies that issue the stock.

Technical analysis, on the other hand, focuses on the market rather than on the stocks, studying the patterns of buying and selling in order to forecast the effects of investors' sentiments.

You should appreciate the differences in the two philosophies in order to be comfortable with your investments. Either philosophy can bolster or diminish the strength of your portfolio. Choose one approach and stick with it; mixing the two approaches can be a formula for failure.

If you view yourself as a long-term investor, you may find fundamental analysis more comfortable. If you are a short-term trader, technical analysis is likely to be a fascinating study.

The fundamental analyst is concerned chiefly with the present and future worth of the corporation behind a particular stock. This analyst's work bows to the traditional view that if a company's value increases, its stock's value will increase.

"For us, fundamental analysis is the study of the corporation through the

Al Frank, fundamental analyst, studies companies' publicly available data to figure what a stock should be worth, and he says "buy low, sell high" is a workable cliché.



PHOTO: T. MICHAEL KEZA

financial information that is readily available on the record," reports 57-year-old Al Frank, publisher of *The Prudent Speculator* (P.O. Box 1767, Santa Monica, Calif. 90406). His independent market newsletter is sent every three weeks to subscribers for \$200 a year.

Some fundamental analysts have peeked into corporate suites and come away wary of executives with sloppy desks. Others have scanned executive parking spaces for Ferraris and Jaguars as indicators of excessive salaries. But Frank deals solely with data in the public domain.

"We carefully screen a universe of over 4,000 publicly held stocks, following over 600 of them closely," says Frank. "Even though we may only be buying one millionth of a corporation, we try to get a handle on what that corporation is worth."

Frank's computer tracks 30 financial indicators for each of the 600 corporations, looking for trends in data such as revenues, earnings, cash flow, return on equity and stocks' book value. Frank then calculates what he thinks the stock should be worth.

If the actual price of the stock is only half that value, the stock becomes a buy candidate. If it is selling for more than he thinks it is worth, it becomes a sell candidate. "Buy low, sell high is a

Determine your portfolio personality, then pick a stock-market guru who thinks the way you do.

cliché that really works," Frank contends.

Fundamental analysis has helped Frank succeed in what has become his third career. He founded *The Pinchpenny Press* in Berkeley, Calif., and used the profits to finance his continuing education. While teaching at Los Angeles-area schools, including UCLA, he became a part-time stock-market "speculator."

He started with \$8,000 and heeded a financial adviser. His first plunge into the market was a disaster, so he decided to become his own expert. The concept that a stock's value is rooted in the value of the corporation seemed sensible, and it led him into the business of selling advice to others.

According to *The Hulbert Financial Digest*, which tracks the performance of independent advisory services, Frank was the most successful independent stock-market adviser in a recent seven-year period. A portfolio managed according to Frank's advice from June 30, 1980, to June 30, 1987, would have grown 599.1 percent.

Like most analysts, however, Frank did not weather the October, 1987, stock-market crash well. When Hulbert calculated performance figures for the 7 1/2 years through the end of 1987, Frank's long-term portfolio gain had slipped to 177.2 percent, compared with

If you think Grainger is just a catalog, you're not looking beneath the surface.



In the Grainger catalog, you'll find technical specifications and prices for more than 19,000 products. Everything from air compressors to zone valves. But that's just the tip of the iceberg.

With over 240 branches across the country, there is one near you with the products you need on hand. Just come in to any Grainger branch. Place an order. It'll be in your hands within minutes. Or call in your order. We'll have it ready for pick-up in just one hour or we'll ship it to you that day.

Plus, with things like computerized inventory control, catalogs that are always up to date and fax machines, you always get your

orders quickly and mistake-free.

None of our services are more important than our people. Dependable counter, phone and shipping people. Technical assistants. And over 700 field sales reps. They're all friendly, professional and dedicated to helping you solve your problems.

The next time you open a Grainger catalog, look beneath the surface. You'll find a whole world of products and services you never knew existed.

For a free Grainger catalog, or for more information about Grainger, write or send your business card to: W.W. Grainger, Inc., Office E-13, 5959 W. Howard St., Chicago, Illinois 60648.

GRAINGER™

There's a lot more to Grainger than you think.

MANAGING YOUR BUSINESS

Taking Stock Of Your Broker

Dan Sullivan, technical analyst, eschews notions that a company's value determines its stock's value; he looks for stocks rising in price faster than the market average.

a 209 percent gain in the Standard & Poor's 500 stock index.

At the other end of the philosophical spectrum is Dan Sullivan, publisher of *The Chartist* (P.O. Box 3160, Long Beach, Calif. 90803; \$150 for 24 issues per year). Sullivan runs an advisory service based upon the principles of technical analysis. He believes that a stock rises or falls in price not because of the performance of the company but because buyers of the stock outnumber sellers, or vice versa.

Sullivan views the market as a sort of bazaar where prices are set through bargaining that is more emotional than logical. "It doesn't matter to me what the companies do," he says. "You don't rationalize and say Apple Computer is a good company, so I'll buy its stock. You try to figure out what *people* are going to do. The market runs on emotions. It goes to extremes that have little or no basis in fundamental analysis."

In his early 50s, Sullivan programs his computer to track sets of data far different from those watched by Frank. Sullivan looks for signals of investor emotion that are driving the market *right now*. Like most technical analysts, he studies statistical measures of investment patterns to produce graphic displays of investors' sentiments. A sample: "In the last 20 years, whenever the 10-day moving average of advances is ahead of the 10-day moving average of declines by more than 2-to-1, it's been a great time to buy. This happened last January."

Sullivan studies day-by-day fluctuations in his indicators, looking for messages that tell him whether money is flowing into or out of the market, and casts to the winds any thoughts that the value of the stock is determined by the value of the company. "A stock can stay overvalued or undervalued for years," he contends. "I base my buy and sell decisions on the technical strength of the stock market."

The key concept in Sullivan's analysis is *relative strength*. By comparing the performance of an individual stock with the performance of the entire market, he identifies stocks that are gaining in price faster than a rising market average, or losing less than a falling market average. He does not care whether there is a fundamental basis for the relative strength; he cares only that the relative strength indicates that other investors like the stock. Relative strength is determined by a series of

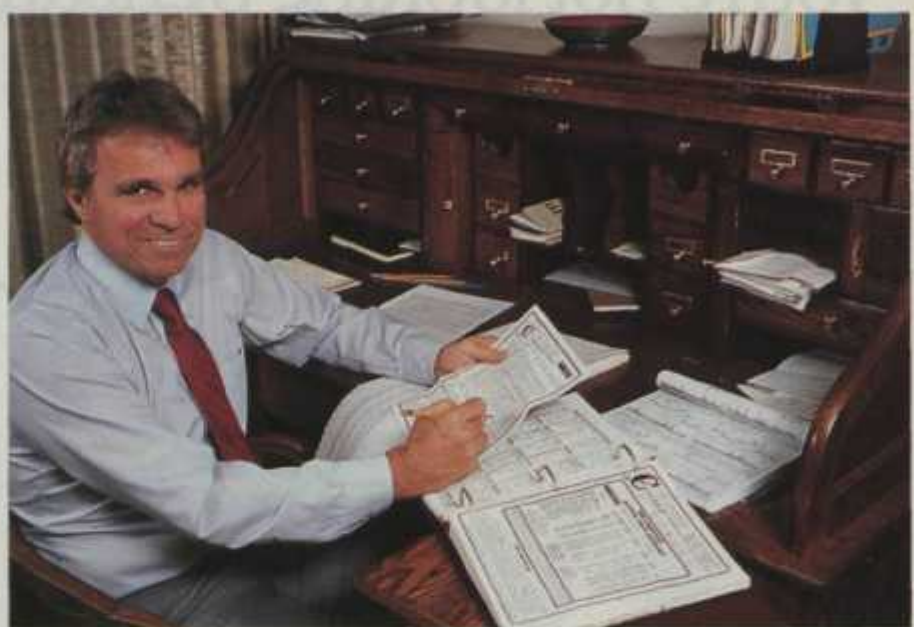


PHOTO: T. MICHAEL KEZA

complicated calculations that can be oversimplified to show in broad outline how his system functions:

Suppose the stock of XYZ Corporation rose 50 percent in six months, from \$20 per share to \$30, while in the same period the New York Stock Exchange Composite Index rose 25 percent, from \$60 to \$75. The stock of XYZ Corporation has outperformed the NYSE Composite Index in a relative manner.

Relative strength is also exhibited in a bear market if, for example, XYZ stock loses 25 percent of its value while the NYSE Composite Index loses 50 percent of its value.

To Sullivan, relative strength means that some people do believe in the potential of a given stock (the reasons for that belief are unimportant) and that they are, at least in the short term, likely to continue to believe. "A well-performing stock has demonstrated its ability to score gains, telling you that it is well thought of by professional investors," Sullivan contends. "That doesn't come with a guarantee that it will continue to do well, but it does offer you a better set of odds than the depressed stock."

This often leads Sullivan to a tactical approach somewhat different from Frank's. Disregarding the fundamentalist's traditional concern about the price/earnings ratio, Sullivan advises to buy high and sell higher.

Prior to the October crash, Sullivan's track record was not as glowing as Frank's, but was impressive nonetheless. According to Hulbert, Sullivan had achieved a profit of 274.6 percent dur-

ing the seven years ending June 30, 1987, ranking him No. 3. But Sullivan was one of the analysts least hurt by the crash. One of his two recommended portfolios had pulled half of its cash out of the market in time. As a result, his 7 1/2-year performance shows a gain of 224.2 percent.

Frank and Sullivan prove that both fundamental and technical analysis can be profitable, and many other advisers prove that both approaches can also be financially disastrous.

Which stock-market philosophy is for you? That depends upon whether you are an investor or a trader, conservative or liberal.

"Fundamental analysis is certainly more relaxed," Frank argues. "We are not trying to get rich quickly. Our stated objective is to earn 18 percent to 25 percent yearly. We're not trying to steal the market. We tend to miss out on many of the highfliers. We've missed a lot of stocks that have gone crazy, but, on the other hand, we've missed a lot of losses."

The follower of the fundamental analyst must be patient. Frank recommends that an investor consider himself or herself to be a partial corporate owner, not a stock trader, ready to wait for years if necessary for the intrinsic value of the company to become manifest.

Technical analysis clearly provides more action. "If you guess wrong, you can lose a lot fast," Sullivan admits. "We take it day by day, week by week. We have no idea what is going to happen a month from now. It's difficult to take a vacation." ■

How the business day looks to someone with a mobile phone.

If you drive just an hour a day, installing a mobile phone in your car can lead to some pleasant changes.

You'll suddenly have more time in which to do business. You'll find yourself getting ahead, rather than merely keeping up. And phrases like "I just didn't get around to it," will begin to disappear from your vocabulary.

In fact, using the hour per



day scenario, a mobile phone could add a month and a half of lucrative time to every business year. And we're ready to help you make the most of every minute.

We're USWEST® Cellular. We're the product of more than a century of Bell heritage. And that experience allows us to provide phone service in your car that's as dependable as the phone in your office.

Talk to us soon. The business day may never look the same again.

Call us at 1-800-832-8671.

USWEST®
CELLULAR

Direct Line

Hints on how to make an entrance into importing, the dive into the data-entry business and the plunge into publishing

Home-Based Database

I am interested in starting my own computer data-entry business in my home. I currently do this type of work, and I have a computer. How might I find listings of businesses that farm out their data-input work to self-employed individuals?

B.B., Boca Raton, Fla.

The Data Entry Management Association could offer you various ways to link up with potential customers. Doris Ulasky of the association says that contacts can be made through its monthly newsletter as well as at regional conferences and equipment expositions. The association's address is 750 Summer Street, Stamford, Conn. 06901. You can call Ulasky at (203) 846-3777.

Indian Imports

I know a source in India who makes some unique handicrafts. I imported small quantities and sold them to local retail stores immediately. Can you suggest how I can explore this opportunity nationwide and what government regulations I should be concerned about?

S.B., Beavercreek, Ohio

Because of the complexities and the various state and federal regulations that are involved in the importing business, you should consult experienced professionals or agencies for help before you begin.

Jerry Muller, director of member services at the American Association of Exporters and Importers, says the first step to successful importing is to contact a customs-house broker, which can be done through the association or local chambers of commerce, or with the use of business directories.

Muller can be reached at the American Association of Exporters and Importers, 30th Floor, 11 West 42nd Street, New York, N.Y. 10036; (212) 944-2230. For an additional source of information on importing, see the following item.

Importing Inundation

Tell *Nation's Business* readers that the government has a book on importing, and they'll ask for it—voluminously. After a Direct Line reply in the May issue said the Customs office in

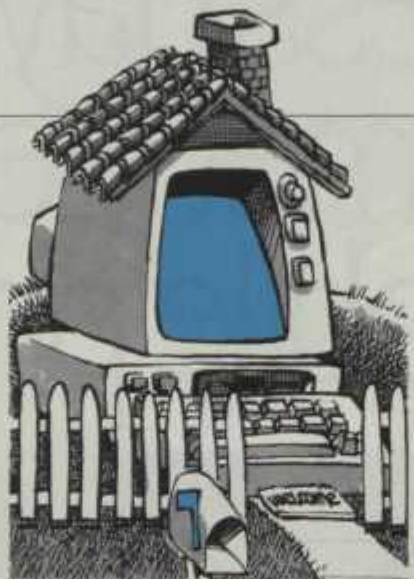


ILLUSTRATION: WILLIAM COULTER

Charleston, S.C., had copies of *Importing Into The United States*, the office received more requests than it could handle.

Customs asks that all further requests for the book be sent with a check or money order for \$4.25 to the U.S. Government Printing Office, 8660 Cherry Lane, Laurel, Md. 20707; (301) 953-7974. The GPO accepts Visa and MasterCard.

Recycling Annual Reports

I love to receive and read corporate releases and annual reports. Is there any business potential in re-releasing only the important information?

W.G., York, Neb.

The market for this kind of service is small but savvy, says Sid Cato, who publishes *Sid Cato's Newsletter on Annual Reports*. Cato's monthly publication analyzes company reports and summarizes what other publications say about business reports and the annual-report industry in the United States. His readers are mainly professionals in business communications.

Cato suggests that a new entrant in the field is most likely to find a market niche by appealing to a more general readership, such as investors or business writers.

For information on types of newsletters being published and how you might begin your own, contact Mike Kibler at the Newsletter Association, 1401 Wilson Boulevard, Suite 403, Arlington, Va. 22209; (703) 527-2333.

Pearls Of Publishing

How do I start a magazine after deciding its focus and intended reach?

K.L., Laurelton, N.Y.

There is no all-inclusive reference work on starting and publishing magazines, says George Frangoulis, executive director of the National Association of Small Magazine Publishers. You could find information on the challenges and opportunities of small-magazine publishing by reading back issues of the association's bimonthly publication, *Successful Magazine Publishing*, available in many libraries. You can reach Frangoulis at 1 Main Street, Freedom, Me. 04941; (207) 382-6200.

Finding A Ready Buyer

I would like to locate potential buyers for a "ready mix" of an international food item. Would contacting gourmet food stores be my best bet, or should I seek sponsorship from a large firm?

K.H., Brattleboro, Vt.

No matter what distribution and marketing approaches you decide to use, the best way to enter the field is through a specialty-food broker, says Larry Burgess, secretary of the National Association of Specialty Food and Confection Brokers. Gourmet shops and food chains usually prefer to deal with brokers they know and trust rather than with new importers or distributors, he says.

To try to interest brokers in handling your food item, you could display the item at a specialty-food trade exposition. For information on such expositions, write to the National Association for the Specialty Food Trade, 215 Park Avenue South, No. 1606, New York, N.Y. 10003. ■

How To Ask

Have a business-related question?

Write to: Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

Working Around Workers' Injuries

By Ted Taylor

Chella Morton, a lumber-mill worker in Grants Pass, Ore., wrenched her knee on the production line. The injury, common among mill workers and loggers, usually means surgery, weeks of recuperation at home and lost wages.

Yet Morton lost no pay. Soon after arthroscopic surgery, she was working in the company's office. As her knee improved, she joined the mill's security staff, making her rounds in a golf cart. Later she transferred to a light-duty job and three months after her injury was back in her regular job.

Morton's experience shows how injured workers can return to productive work—different, less physically demanding jobs that might have been filled by temporaries—until they have recovered enough to go back to their regular duties.

Such efforts, known as early-return-to-work programs, are attracting attention among many employers trying to control the rising costs of on-the-job injuries. Like the program that helped Chella Morton in Oregon, most such plans identify in advance tasks suitable for workers who must leave their regular jobs temporarily for medical reasons.

Ted Taylor is a free-lance writer in Phoenix, Ore.

PHOTO: T. MICHAEL REZA

Early-return-to-work systems can cut by half the number of worker days lost to job-related injuries, decrease medical costs and reduce the expense of litigating claims.

In Oregon, where skyrocketing workers' compensation costs worry many in industry, some companies use the OUR System, for Optimum Utilization of Rehabilitation.

Companies that have instituted this privately developed, copyrighted program have reported reductions of over 50 percent in lost worker days and 20 percent in total workers' compensation costs.

At a lumber mill in Eugene, for example, the number of worker days lost because of injuries dropped from 1,140 a year to 140 a year, saving the mill over \$150,000 annually in overall workers' compensation costs.

Stone Container Corporation, with 200 employees, reduced its worker days lost to injuries from 312 to 69 the first year, despite an increase in the number of accidents, says Duane Pont, safety director for the plant in Grants Pass. He says the OUR System cut the company's costs for workers' compensation by 80 percent in its first six months and continues to keep costs down.

Other companies report similar results. The Trus Joist plant in Eugene, with 330 employees, documented sav-

Programs like the OUR System steer employees off the workers' comp rolls and back onto company payrolls.

ings of more than \$150,000 in the past year.

The OUR System is "nothing more than sound management practices applied in an area that was previously overlooked," says Norm Peterson, a developer of the OUR System. He is president of Norman Peterson & Associates, Inc., an Ashland-based firm that designs OUR Systems for companies.

"We design each system individually after meeting with plant managers and spending time in the workplace," Peterson says. "We then teach managers how to use the system, and we follow through to make sure it keeps working."

The cost depends on the size of the company and its needs, he says. Typically, a plant with 300 employees would be charged \$10,000 to \$30,000, plus expenses.

The cost could be considerably less, however, if Peterson thinks the plant needs only his suggestions for improving an early-return-to-work system already in place. He says he likes to keep his team's consulting fees low enough to permit the OUR System to pay for

Norm Peterson, right, designed the system that enabled Bob Diette, left, of the Trus Joist lumber company to return to work in another job after he suffered a hand injury.



MANAGING YOUR BUSINESS

Working Around Workers' Injuries

Injured lift-truck operator Richard Watson returned to work at Stone Container Corporation under the OUR System, which cuts costs, says safety director Duane Pont, right.



PHOTO: T. MICHAEL KEZA

itself within a few months. "I get very enthusiastic referrals that way," he adds.

Peterson helped develop the OUR System in 1985 after hearing managers in industries and government complain about workers' compensation costs.

Oregon ranks sixth in the nation in costs for workers' compensation, with insurance premiums alone running more than \$500 million a year. Private employers lost more than 826,000 worker days to injury in 1986, and the public sector lost 121,500 days. On average, an injured employee is in the workers' compensation system for 39 months.

Workers' compensation is a concern in other states as well. In California, one of every 12 workers suffered an on-the-job accident or illness in 1986, according to the U.S. Department of Labor. Arizona, Hawaii, Nevada and other states have even higher rates.

"The issue of workers' compensation is a national concern," says Ted Kulongoski, Oregon's insurance commissioner. "But the early-return-to-work system is an idea that many [employers] just haven't caught onto yet."

Early-return-to-work systems are not new; they exist in some larger industries. But they are not always systematic or effective. "The trick," says Peterson, "is to create temporary job descriptions that are beneficial to the plant's productivity. We don't make doorstops out of injured workers. ... Instead of being burdens, injured workers can become delightful assets."

Norm Alverson, a vocational-rehabilitation consultant, says, "It's like a step-

ladder; you just march a person right up that ladder to a permanent job."

Through early-return-to-work, "some employers have really cut their compensation costs, but you have to have an aggressive program, management has to be behind it, and it has to be an integral part of management," says Joan Fraser, head of the Oregon Rehabilitation Review Section. "It can't be just one person who thinks it's a good idea to cut claims costs."

Fraser says the implementation of early-return-to-work systems nationwide will come eventually, but it will require educating managers, who, she explains, often don't know "what early-return-to-work means to the employer and how it can benefit the employer."

Kulongoski says that "return-to-work has a definite impact on the total cost. Notwithstanding all the psychological benefits to the worker getting back to work, it ceases the total temporary disability payments, probably reduces the medical costs in the process and probably reduces litigation because the worker feels someone cares about him."

The OUR System designed for the city of Ashland has the enthusiastic support of Tom Weldon, assistant city manager. "You know you're going to have injuries," he says. "What the system does is make you sit down and commit to a series of tasks that your people can fill on an interim, short-term basis. When an injury happens, I jump up, grab the appropriate pieces of paper and run them to the doctor, and get the worker back to work the next day,

if that's appropriate. It makes sense, it's logical, and it shows the worker and the doctor that we are concerned, and we're on top of it."

The workers' compensation system is "doctor-driven," Kulongoski says. "Doctors control the whole process. They determine whether an injury is disabling, when the individual can return to work, whether the worker can return to the job, and who qualifies for vocational rehabilitation, and they determine the extent of total disability."

The OUR System gives doctors much detailed information on light-duty jobs proposed for injured workers. The light-duty jobs are detailed in writing, in color photographs and on videotapes. Doctors then can make more informed decisions, says Peterson, and they tend to be more cooperative in speeding the return-to-work process.

The cost savings to employers with early-return-to-work programs are documented, but the impact on workers is still being studied. Research indicates injured workers recover more quickly if they are returned to work right away, according to Steve Beckham, corporate relations manager for Oregon's State Accident Insurance Fund.

Peterson says injured workers may stay home for months or years feeling useless and depressed, receiving checks for two thirds of their salaries. He says the incidences of alcohol and drug abuse, spouse abuse, divorce and suicide are high for injured workers, especially men whose self-esteem is closely linked with their role as breadwinner.

Although some plant managers might try to create their own early-return-to-work systems based on his copyrighted plan, Peterson says he is not worried.

"A lot of it is just common sense," he says. "But we're experts in vocational rehabilitation, and they're not, and we know what works. It would take a sharp manager years to develop his own system and work out the bugs. Meanwhile, the company's losing maybe hundreds of thousands of dollars. They could pay our consulting fees many, many times over."

Nonetheless, Peterson will send to those who request it a packet of general information on how small companies can set up or improve early-return-to-work systems. Write or call Norman Peterson & Associates, Inc., 94 Third Street, Ashland, Ore. 97520; (503) 488-0162. ■

Putting Profits On The Menu

Kitchen skills and fine food are not the only recipes for restaurant success.

By Sandra Dark



PHOTO: DAVID FITZGERALD

When owner Vince Orza walks into a Garfield's Restaurant & Pub, he expects to see a lot of people much like himself—baby-boomers who grew up munching fast food, graduated to singles restaurants and bars and now prefer middle-of-the-road places for dining out with the family.

"We have a population that's going into its real spending years," says the president of Eateries, Inc., parent company of the Garfield's chain. Using his expertise as a specialist in marketing, Orza spent three years analyzing the dining-out market and designing a restaurant concept to fit his target customer. Then he opened his first Garfield's. Its success is attributed to Orza's careful business planning and execution.

If a restaurant is to survive, it must succeed as a business, say many experts in the food-service industry. Launching and maintaining a restaurant involves much more than serving good food in a comfortable atmosphere at reasonable prices. Those factors can attract customers, but they are not enough to keep the doors open.

Today's competitive dining-out marketplace demands a broad-based knowl-

Businessman Vince Orza started the Garfield's Restaurant & Pub chain in Oklahoma City for "baby-boomers" who like places for family dining.

edge of marketing, financial management, business planning, purchasing, inventory management, business law, insurance, advertising and personnel.

The original Garfield's opened in November, 1984. By 1987, sales for the Oklahoma City-based company had soared to \$8 million. With 18 Garfield's restaurants now in operation, including four in Holiday Inns, Orza expects systemwide sales of \$20 million this year. Yet he remains pragmatic about the risks of restaurant entrepreneurship.

"Creating a restaurant is a very difficult process, because it has a lot of variables, more than most [other] businesses have," Orza says. Those variables can range from customers' unpredictable menu preferences to their attitudes about whether a restaurant's decor makes them feel comfortable.

Dun & Bradstreet statistics show that last year 12,400 restaurants were started and 2,826 went out of business. Food service is now a burgeoning, \$213.5 billion industry; it will capture 40.8 percent of the food dollar this year, the American Restaurant Association says. So why do so many restaurants

fail—some even before they have had a chance to get off the ground? The reasons most often cited by failed restaurateurs include a weak local economy, a bad location, inadequate start-up capital and the lingering stigma of a restaurant's inadequate previous management.

Restaurant owners who have succeeded in spite of such drawbacks tell a different tale. The real causes of most failures, they say, are more often bad food, indifferent service, poor management or the lack of a carefully drafted business plan. Most of those who fail, said one small-business expert, "should never have gone into business in the first place."

The foremost cause of restaurant failure is not management, it's unsatisfactory food, say many experts, particularly those kitchen wizards who became restaurant owners.

"I've never seen a restaurant fail that had better food than its close competition," says Robert Dickson, owner of Robert's of Charleston, in South Carolina. A chef by training, Dickson has a food-oriented perspective that is viewed as heretical by businessmen such as Orza, who take a marketing/management approach to the industry.

Their differences do not end there. Unlike Garfield's, which is aimed at the middle-income walk-in trade, Robert's

Sandra Dark is a free-lance writer in Norman, Okla.

MANAGING YOUR BUSINESS

Putting Profits On The Menu

At Robert's of Charleston, in South Carolina, the cuisine is French, the diners are upscale, and owner Robert Dickson, a chef by training, sings to his guests.



PHOTO: WILLIAM A. JORDAN

aims at an upper-income clientele. Each restaurant offers its own type of menu and a distinct style of service.

The Garfield's menu, for instance, reflects the tastes of its customer base, those who are 25 to 54 years old. They worry about middle-age spread, but they still want dessert. They are concerned about alcohol abuse, but they would like to have a drink. Garfield's offers 50 brands of beer, plus crayons for drawing on the paper tablecloths—something for everyone, in effect, including menu flexibility. "Menus that say no substitutions are an affront to the customer's intelligence," Orza says.

Tailored for a different dining experience, the innovative, French-style cuisine of Robert's of Charleston is served once each evening as a six-course meal for 48 customers who arrive at the same hour for the single seating, by reservation only. Dickson calls the style "banquet service in a white-table restaurant," although all banquet overtones are carefully concealed.

Part of the Robert's of Charleston attraction is its atmosphere of exclusivity. While the meal is being prepared in the kitchen, Dickson sings to his guests. The fast-paced, precisely orchestrated combination of good food and entertainment appeals to his up-

scale customers. Empty seats are rare and the waiting list is long, even though his best customers average only three visits a year.

Whether the restaurant patron is looking for French cuisine, fast burgers or something in between, today's customer is looking for value. Pricing is a critical issue. A restaurant need not have the lowest prices, but it must offer the best value.

While most families of four won't eat out much if they must spend \$50 for a meal, Orza's menu enables the family to get past the cash register on about \$20 to \$30. And even at \$60 per person—including taxes, gratuities and two wines with unlimited pouring—Robert's of Charleston is priced \$10 to \$20 below comparable establishments in New York City.

Old World service based on the notion that the customer is *always* right is a vital part of the value package offered by Garfield's. "If you put out the wrong image," Orza explains, "people will never walk through your doors to taste the food." So, no matter what the customer asks, the answer is always yes.

"In far too many businesses in America today, everyone wants to argue with the customer and tell him why they are doing it the way they are," Orza maintains. "The customer doesn't

care. The customer wants it done the way *he* wants it done. He's saying, 'I've got this money and I want to give it to you. I just want you to please me.' Why not do what he wants?"

In addition to good food and good service, the restaurant's location must be right. Though people sometimes will travel to out-of-the-way neighborhoods to patronize a favorite or special restaurant, a convenient location still improves a restaurant's chances for success.

Failed sites, including those with supposedly jinxed reputations, don't necessarily carry a lingering stigma. Eateries, Inc., for example, looks for well-located but failed or failing restaurants that can be converted into a Garfield's.

"People stop eating at a restaurant because the food, service and management are bad," Orza says, "not because the site was a failure before."

Nonetheless, restaurant failures often are basically business failures. Many owners, for example, don't even know what it costs them to open their doors each day, let alone how much they must sell just to break even. "They put in a restaurant without knowing anything about recordkeeping, how to advertise or who their target market is," says Gene Warren, coordinator of Small Business Management Programs for the Oklahoma State Department of Vocational and Technical Education. "All of those things catch up with them. Before they know it, they're out of business."

The owner who opens a restaurant without a detailed, long-term business plan is relying heavily on sheer luck. Warren points out that the chances of obtaining bank financing without a written business plan are becoming slim to none.

Besides, the need to know your target customer and how you intend to market to him is demonstrated by statistics. Warren cites figures that show that when restaurant franchisors teach their franchisees how to run every aspect of their business, eight out of 10 franchisees can expect to turn a profit. For independent restaurants, however, business failures outnumber successes.

"I wasn't great in management when I opened Robert's of Charleston," Dickson says. The restaurant's sales benefited tremendously after he hired management consultant J.J. Mahoney a few years back.

From his original \$15,000 investment of 12 years ago, Dickson's sales rose to

\$600,000 in 1987, and a 33 percent increase is projected for this year. Robert's has so outgrown its mom-and-pop operation that Dickson is thinking of franchising.

Mahoney not only convinced Dickson that hiring an additional singer would pay off but also made the chef-cum-restaurateur familiar with available management aids. "There are tools out there that you can hire, rent or subscribe to that can make you a better manager," says Dickson.

Owners who lack well-rounded marketing and managing skills—as is often found among those who have mainly kitchen experience—can benefit from outside advice, and its cost need not be prohibitive. Vocational and technical schools in a growing number of states offer comprehensive small-business-management programs, sometimes including a consultant who will help the business owner identify problems and find solutions.

Many junior colleges also offer busi-

ness courses. State small-business administrations, as well as programs offered by SCORE (the Service Corps of Retired Executives), can be tapped for business-boosting input.

A healthy business isn't always insurance against failure, however. Prosperous single-restaurant owners sometimes fall into the trap of believing that success breeds success. "Taking a sec-

ond location without advertising ability, and without a clear focus as to what your concept is going to be, is the kiss of death," Orza warns with the voice of experience.

He says he temporarily took his eye off the ball when he opened a Garfield's Sea Grill. Though it was successful at the start, he quickly realized that he didn't have time to develop the new seafood concept, he says. He closed the establishment rather than spread himself too thinly and risk what he had accomplished with Garfield's.

Having forged a rapidly expanding restaurant chain in the midst of a regionally depressed economy, Orza still maintains that it is the single-restaurant owner who makes the industry work.

"Chains never have new ideas," he says. "They play it safe, because they lose their entrepreneurial spirit. It's the guy with one restaurant who is inclined to do some things that are different from the rest of the industry. That's where it all starts." **16**

Whether the restaurant patron is looking for French cuisine, fast burgers or something in between, today's customer is looking for value. . . . A restaurant need not have the lowest prices, but it must offer the best value.

MOVING SOON?

Please advise NATION'S BUSINESS at least five weeks before you move. Send old and new addresses to expedite the change. You may remove the address label from your magazine and enclose it with your new address.

Change of address should be sent to:

NATION'S BUSINESS
4940 Nicholson Court
Kensington, MD 20795

PLACE LABEL HERE

NAME _____

NEW ADDRESS _____

CITY _____

STATE _____ ZIP _____

DATE OF ADDRESS CHANGE _____

What is a Best Western?



"My home office wherever I travel."

The right place at the right price.

Make reservations at any Best Western, see your travel agent, or call toll-free

1-800-528-1234



"World's largest chain of independently owned and operated hotels, motor inns and resorts"

Have Your Cash And Borrow, Too

By Kevin B. Johnston

When Bobbie Marschall decided she needed larger quarters for her growing secretarial service, she also decided she didn't want to spend all of her cash on the venture. Instead of investing her money directly in her business, she placed it in a certificate of deposit (CD) with a bank, then used the CD as collateral to borrow money. She improved her credit rating and preserved her capital.

"I'm still making money on my money," she says. "It's like I'm paying myself back and paying a little to the bank. When I get through [paying off the loan], I'll have more money than I started out with."

This method of borrowing is called a savings-account loan (SAL). It is used often by owners of new businesses, primarily those who, like Marschall, want to establish credit while they preserve their capital.

Here's how a SAL works: You put cash in a CD with a bank or a savings and loan association, then take out a loan for the same amount. (Some lending institutions limit the loan to 90 percent of the CD value.) The CD is held as collateral, so you can't withdraw funds—even at maturity—until the loan is repaid. If you are unable to pay off the loan when the CD matures, you may extend the debt by rolling over the CD for another term. At that time, you may withdraw part of your funds if you have paid off part of the loan.

Harlan Fine, owner of Fine Instant Printing in Los Angeles, has used SALs, and he says: "It can be a smart way to use your money. As you pay off the loan, you become liquid. But you are tying up your cash, so you have to be able to do without your money until you can pay on the loan."

New business owners with cash may be reluctant to go into debt, but if they invest their own money in a business, they will not establish credit and they will use up their capital.

This puts more pressure on the business to produce income at the same time it is growing. In addition, because cash may be collected in relatively small amounts, these owners may find



ILLUSTRATION: GREGG FITZGUGH—EUCALYPTUS TREE STUDIO

it difficult to pay for large purchases or a major expansion.

"I did not have one large sum when I started out, only small amounts coming in," says Caroline Cubbin, owner of In Bloom Again, a Brooklyn, N.Y., flower shop. "Now I may sell my business and use the money as collateral for a loan to start a larger flower shop in another location. There is so much more you can do with one large sum. I'll still have my cash [from the sale] earning interest in the bank, and I'll get a low-interest loan."

SALs are usually less expensive than conventional business loans. Current CD rates determine SAL rates, so if you invest in a long-term CD that pays more, your loan will cost more. Each bank or savings and loan sets its own policies, but you should expect the interest rate on the loan to be 2 to 4 percentage points above the CD rate. Note that the interest you earn on the CD helps offset the loan interest.

Many lending institutions offer flexible payment plans. Some lenders may require monthly payments on principal and interest; others may allow quarterly payments on interest only. Still others will require only one payment a year. So shop around until you find the payment plan best for you.

The primary reason for choosing a particular payment schedule is control

If you use your own money as collateral for a loan, you can save on interest and preserve capital.

over cash flow. You may have a lot of income and want to make monthly payments. This would cost you less in the long run because you would be reducing the principal and you would be charged interest only on the balance.

But businesses that depend on a few large collections each year can benefit from quarterly payments.

Annual payments are mainly for new business owners who need a year to get on their feet. This is the most expensive plan, because interest is charged on the entire loan throughout the year.

In addition to shopping for flexible payment plans, look for a lender who makes it easy to qualify for SALs. Because you are pledging cash—the safest collateral—and you are guaranteeing payment, the lender may not require any financial documents or credit history, may not restrict your use of the money and may not require profit reports on your business.

Other lenders may want to examine your business, may ask for copies of your tax returns and may check your credit history.

A most important question you should ask is what happens if you can't pay off the loan. Obviously, the lender will take the CD as payment, but how would that be reported on your credit rating? Some banks would consider it a bad loan even though you repaid it with cash from your own CD. Find out the lender's policy before you borrow. If the lender considers it a default if you pay off the loan with your cash, go elsewhere. Most lending institutions will give you a good credit report whether you make payments or forfeit the CD. Even if your business fails, you would have good credit.

If you decide to use a SAL, remember that you can tailor it to your needs. The right SAL will offer you easy credit, capital preservation and growth, low interest and a flexible repayment plan.

In addition to these financial benefits, there also may be a psychological plus. Laurie Williams, business development loan officer at American Pacific State Bank in North Hollywood, Calif., says: "If you take out a loan against your cash instead of spending it, there's a better chance of getting it back. You'll pay the bank back before you pay yourself back." ■

Kevin B. Johnston is a free-lance writer based in Los Angeles.

Korea

By John T. Bennett and Thomas Stern



PHOTO: BRENT RAER—WESTLIGHT



PHOTO: DAVID POLLACK—THE STOCK MARKET

Last January 1 brought more than just a new year to the Republic of Korea. It ushered in a new era, replete not only with hope and anticipation but also with concern.

On the political side, the new year was the first in which a democratically elected president took the reins of government in a peaceful transition.

On the economic side, on that New Year's Day Koreans celebrated two successive years of double-digit growth of their gross national product. The current account balance at the end of 1987 was almost \$10 billion, enabling Korea to make further inroads in its foreign debt. Indeed, Korea is one of the few countries in the world that is liquidating its foreign debt, having reduced it by more than 25 percent in less than two years.

Although the government has earned the legitimacy that is required if free political participation by the governed is to flourish, some segments of society still chafe at the pace of political growth. And smaller groups—insignificant for the time being—seek a totally different form of government. These elements present no imminent danger but are potential sources of instability.

And North Korea remains an enigma, with its massive military forces at the ready 25 miles north of Seoul, capital of the Republic of Korea.

Economic success carries responsibilities. Most Koreans agree they must re-



PHOTO: DAVID POLLACK—THE STOCK MARKET

duce their balance-of-payments surplus in 1988, but many are concerned with the pace and method of that reduction demanded by Korea's trading partners. They also perceive a growth in protectionism, which, together with pressures for Korean changes, may result in a sharp decrease in export earnings.

In addition, new political freedoms have encouraged labor to seek wage settlements far in excess of productivity gains, aggravating already evident inflationary pressures.

Most indicators suggest this year will bolster still further Korea's well-earned reputation for political and economic growth.

Export-minded Hyundai Motors, above, enhances the trading strength of Korea, host of the 1988 Summer Olympics in Seoul, top left, where souvenirs, left, await buyers.

The Economic Scene. Estimated real GNP growth for 1987 was 12 percent, following 12.3 percent in 1986. The two years represent a record period for an economy that has shown rapid, sustained growth for 25 years.

Economic growth has been in an upturn since the second quarter of 1985. Although it slowed in the fourth quarter of 1987, by most nations' standards it has remained rapid.

Growth rates by sector in the Korean economy showed few striking changes from 1986, except for agriculture, where there was a 4.3 percent decline in value added, due to bad weather. All other productive sectors of the economy grew rapidly in the past two years, and growth in government services was well controlled.

The major expenditures on GNP changed little from 1986. The good news was that consumption grew as much as it did. Allowing for population growth of just over 1 percent, per-capita consumption—the standard of living—was up nearly 7 percent.

Foreign Trade Continues Rapid Growth. From 1986 to 1987 exports grew by 36 percent on a balance-of-payments basis, and imports rose by 30 percent. The current account balance grew as well, reaching a surplus of \$9.8 billion, compared with \$4.6 billion the previous year.

Total outstanding foreign debt, which had been reduced to \$44.5 billion at the

John T. Bennett is president of the Korea Economic Institute of America. Thomas Stern is director of that organization.



beginning of 1987, was further diminished to \$35.5 billion by the end of that year.

After accounting for its foreign-exchange reserves and debts owed to it, Korea's net foreign debt was only \$22 billion, and the government predicts a further reduction of \$5 billion by the end of 1988.

The Korean authorities have begun to encourage investment overseas. They have also started to loosen restrictions on travel abroad and the amounts of money that Korean travelers and companies can take and keep abroad. Their encouragement has led to overseas investment that was substantially larger in 1987 than in past years. This investment reflects the need to secure raw materials, gain access and proximity to markets, lower manufacturing costs abroad and acquire a greater return on investment.

Most new investments were made in North America (\$79 million in 1986 and \$177 million in 1987), Southeast Asia (\$7 million in 1986 and \$131 million in 1987) and the Middle East (\$76 million in 1986 and \$71 million in 1987).

Foreign investment in Korea rose as

well, as foreign companies sought to benefit from the growth and increasing sophistication of Korean business and labor. Korean interest in foreign investment also grew, reflecting its need to acquire the advanced technology available only with equity investment and to benefit from the greater flexibility of equity financing over debt. Foreign investments in 1987 were approximately \$1 billion, compared with \$354 million in 1986 and \$537 million in 1985. As usual, in 1987 Japan was the largest investor (\$494 million), followed by Europe (\$250 million) and the United States (\$225 million).

In relation to the dollar, the Korean currency, the won, rose 8.7 percent during 1987. It fell 19.3 percent in relation to the yen. The Korea Development Institute reported that after allowing for relative price increases in major trading partners, the won had on average actually depreciated by 4 to 6 percent. During the first quarter of 1988, the won rose another 6 percent against the dollar.

Exchange rates were reflected in the shifts of trade. Exports to Japan increased

because of the decline in the won. Imports rose almost as much because Korean manufacturers continued to use Japanese components in the products that they exported. Exports to the United States rose, reflecting greater competitiveness by Korea, and imports also rose substantially as the Korean government sought to shift sources and limit the growth of its surplus with the United States.

Most imports were electronics and, surprisingly, textiles, which had been written off long ago as a "sunset" industry.

Outlook For 1988. Major challenges face Korea, many stemming from the country's political growth in the last two years. Although the first democratic transfer of presidential power removed concern for the continuity and stability of economic policy, it raises difficult issues.

Foremost is the rise in labor demands. Many companies refused to give wage increases during last summer's strikes. The expected spring wage offensive is now under way, as labor disputes confronting major companies have grown from 2 to 10 a day. The Federation of Trade Unions is seeking wage increases from 20 to 30 percent, and the Federation of Employers mentions raises from 8 to 9 percent, despite the 34 percent growth in profits in 1987 reported by 237 publicly held firms.

In addition, legislation revised last fall makes it easier for unions to organize and strike. A rival federation is now being formed, and younger union leaders are emerging to compete with old-line union officers.

Motivated by the desire to protect their privileged, high-paid position in Korean society, white-collar workers have organized about half of the new unions. Disputes with management now include a range of issues involving working conditions and plant safety. A new, more subtle dimension has emerged in negotiations—what workers consider fair and reasonable. Workers who once saw themselves as exploited are taking advantage of their power to right these perceived wrongs.

Management expects a new labor-management relationship to emerge over the next year or two, one somewhere between the cooperative spirit of Japanese labor relations and the confrontational U.S. and British approaches. Some observers worry that organized labor will become more political, although radical political leaders have had little success in mobilizing union support. The Federation of Trade Unions is urging its members to endorse and fund pro-labor candidates regardless of party in the National Assembly election. Decreased world competitiveness and some loss of production may be the minimum

One of the Great Events in Seoul in '88

The Opening of Hotel Lotte's New Wing

We planned our new wing with perfection in mind: uncompromising service and facilities tailored to the needs of the sophisticated business traveler. You will be pleased with the results. 465 new rooms (the largest on average in town) bringing our total up to 1,484. There're exclusive touches like the town's best-equipped business center, express check-in, VIP elevators, to name just a few.

And our service is simply superb: for a perfect beginning and a happy ending, remember Lotte.

Member in Seoul, Korea
SBS *Paragloss* *Ch*

HOTEL LOTTE
SEOUL, KOREA

Head Office: C.P.O. Box 3000 Seoul, Korea
Phone: (02) 771-10, Telex: LOTTEHD 422033KAS Fax: SEOUL 752-2758
Cable: HOTELLOTTE
Overseas Office: New York: (201) 344-1117 Tel. Fax: 800-22-LOTTE
L.A.: (213) 545-7010, Tokyo: (03) 281-8636, Osaka: (06) 255-12712



PROUD BROADCAST SPONSOR
OF THE 1988 SUMMER OLYMPIC
GAMES ON NBC.



We just couldn't leave well enough alone.

You'd think we'd have left our excellent Excel alone, wouldn't you?

It's already the best-selling import,* it comes with more standard features than any car in its class and it has a very affordable price tag.

So why make changes?

Well, we just couldn't resist making a good thing a little bit better.

Introducing the new 1988 Excel GS, with a whole package of sporty features that you wouldn't expect to find on a car that's this practical.

Like black alloy wheels, 5 all-season radials and 3 hot body colors. A color-keyed grille, back panel and mirrors and blacked-out molding and door handles.

And inside, reclining sports seats with bolsters for extra lateral support.

To see one, call 1-800-826-CARS for the

location of your nearest Hyundai dealer.

But before you do, you may be asking yourself, with all this special sports equipment, is this Excel still a good value?

Some things we did leave alone.



HYUNDAI
Cars that make sense.

Circle No. 96 on Reader Service Card.

© 1988 Hyundai Motor America. Seat belts make sense.
*Based on Ward's Automotive Reports.



The Olympic stadium in Seoul will be the site of the Summer Games, which Korean authorities hope will showcase their country.



PHOTO: WALLY MCNABEE—FOLIO

price Korean society will pay for greater worker freedom.

Second, some observers suggest the freer political atmosphere may give Korean protectionists and ultranationalists a disproportionate voice in the economic policymaking process, as has happened with cattle farmers who oppose importing high quality beef for hotels. Although the problem of low prices and oversupply may be solved as cattle numbers have already dropped in anticipation of imports, the opposition has at times added harassment and intimidation to their arguments.

A number of import-liberalization efforts have been fought successfully, and the

government's flexibility is undoubtedly limited by the increasing importance of the National Assembly and the political imperatives of a democratic government. As the new governmental structure takes shape, it would be natural for certain well-organized forces to have considerable sway over governmental policies.

The power that these groups can bring to bear will have a direct effect on the government's ability to solve specific trade issues with the United States. While Korea has promulgated major reductions in tariffs and plans further reductions later in the year, specific commodity frictions are likely to continue as American producers

seek U.S. governmental relief for alleged Korean trade wrongdoings.

The government has appointed a Presidential Commission on Economic Restructuring to provide recommendations in August and a final report in the fall. Less important than the recommendations is the process, which is expected to allow the expression of the full range of opinions on objectives, policies and programs that would enable Korea to achieve rapid growth with equity and price stability. Out of the process, it is hoped, a policy consensus will emerge. Meanwhile, critics of the pace and extent of Korea's market opening will need to think twice about continuing to press the government and thus allow xenophobia to delay market opening, which is in the interest of most Koreans.

Of greater general interest will be the results of Korea's efforts to diversify its export markets and increase its imports from the United States. Both policies are intended to reduce the large balance-of-payments surplus that Korea enjoyed in 1987 with the United States. Involved in this equation is the value of the Korean currency, the won; although it is being revalued daily, it is not rising rapidly enough, according to some U.S. officials.

The Summer Olympics will have a major impact on the Korean economy, particularly from large tourist and TV-rights earnings. The significance of the Olympics is, of course, far greater than economic. It could stimulate further terrorist activities from North Korea, although the South Korean government discounts that possibility and is confident that it could manage any problems from the North.

Expansionary pressure also arises from the National Assembly elections. With more than 1,000 candidates running and estimates from the press that each one will spend more than \$1 million, the short-term effect on money supply and prices could be quite powerful.

Finally, perhaps the greatest challenge to the new government stems from the 1987 trade successes, which accumulated a balance-of-payments surplus that the world community considers anathema to global economic growth. The Korean government has pledged itself to reduce that surplus in 1988 to between \$6 billion and \$8 billion (from approximately \$10 billion in 1987) through greater market-opening efforts, revaluation of the won and an expansion of the domestic consumer market. The policy is significant in that it is a clear indication of Korea's readiness to take its place among the world's responsible economic powers. This aspect and several others make 1988 a major turning point in Korea's history. **MB**

Samsung, A World Leader

The explosive growth of the Korean economy closely parallels the growth of 10 giant Korean business conglomerates, the largest of which is the Samsung Group.

Founded as a trading company in 1938 by Lee Byung-Chull, who passed away recently at age 77, Samsung currently is the world's 21st-largest conglomerate. It is composed of 38 companies involved in electronics, telecommunications, semiconductors, shipbuilding, aerospace, construction, agriculture, textiles, hotels, retail sales, land development, chemical production, genetic engineering and more.

New Samsung Chairman Lee Kun-Hee, third son of the company's founder, will continue traveling down the path chosen by his father: "We now live in an age of turbulence, brewing with hardships and challenges from within and without. But however formidable they may be, I have strong faith in the tradition of Samsung

that has sublimated them into development and progress.

"Standing on the solid foundation proved by tradition, I intend to carry out my duty to the best of my ability to spearhead a second takeoff for Samsung."

This second takeoff will be inspired by the three slogans written by Lee Byung-Chull in 1973 to guide all Samsung staff members:

- Contribute to Korea through industrial development.
- Give top priority to human resources.
- Continually rationalize business strategy.

By directing his executives and blue-collar workers to be mindful of these maxims while working aggressively at stretching the limits of technology in the many industries in which Samsung is involved, Lee Kun-Hee seeks to make Samsung and Korea world economic leaders.

Samsung Excellence



1938-1988

CELEBRATING A HALF-CENTURY OF PARTNERSHIPS

A continuing search for excellence.

The Samsung Group is celebrating 50 years of successful business partnerships. That's a half-century of mutual prosperity.

Since we opened our doors for business, we have grown from a small south Korean trading company to the 35th largest corporation in the world. We serve the electronics, telecommunications, semiconductor, genetic engineering, construction, shipbuilding, aerospace, chemical and heavy industry fields.

Simply put, we've built a strong network of business relationships spanning a broad base of industries. We know success is measured not just by our achievements — and there have been many — but also by the quality of our journey.

With our technology and human resources, we at Samsung and our business partners look forward to serving you in the 21st century.

Join us in celebrating this significant milestone.....



SAMSUNG

CPO Box 1144 Seoul, Korea
Tel: 751-2114 Telex: STARS K23657/K23302/K23169
Cable Address: STARS SEOUL

Business Lines of the Samsung Group

- Samsung Co., Ltd.
- Cheil Sugar & Co., Ltd.
- Cheil Wool Textile Co., Ltd.
- Cheil Synthetic Textiles Co., Ltd.
- Chongjin Paper Manufacturing Co., Ltd.
- Joong-ang Development Co., Ltd.
- Samsung Electronics Co., Ltd.

- Samsung Electron Devices Co., Ltd.
- Samsung Electro-Mechanics Co., Ltd.
- Samsung Cutting Co., Ltd.
- Samsung Semiconductor & Telecommunications Co., Ltd.
- Samsung Aerospace Industries Ltd.
- Samsung Watch Co., Ltd.
- Samsung Petrochemical Co., Ltd.

- Samsung Shipbuilding & Heavy Industries Co., Ltd.
- Samsung Construction Co., Ltd.
- Korea Engineering Co., Ltd.
- Dongbang Life Insurance Co., Ltd.
- Anuk Fire & Marine Insurance Co., Ltd.
- Shinsegae Department Store Co., Ltd.
- Hotel Shilla Co., Ltd.

- The Joong-ang Daily News
- Samsung Medical Systems Co., Ltd.
- Samsung Hewlett Packard
- Samsung Data Systems Co., Ltd.
- Koryo General Hospital
- Samsung Lions Co., Ltd.
- Samsung Foundation of Art & Culture



The Honeycomb's Symmetry Reflects Hyundai's Business Philosophy

At Hyundai we're involved in a whole nest of activities. Varied activities that keep us busy from construction and engineering to shipbuilding, industrial plants, machinery, automobiles and trade. And recently Hyundai has expanded into the hi-tech electronics field of tomorrow.

How have we been able to successfully expand into all these areas? Well, our consistent business philosophy has been strictly conformed to, in all our pursuits. Simply, all Hyundai companies insist on hiring the best people, doing the job better and faster than the competition, and aiming at complete customer satisfaction. Our customers appreciate it and we demand it.

In addition, Hyundai's different business lines conform to each other and at the same time offset each other to produce a harmonious balance. That's important to you, because we can supply services and products faster and more economically, since we are able to tap into our world wide "network-comb" of companies.

Hyundai, serving equally, consistently and economically.

**HYUNDAI**

140-2, Kye-dong, Chongro-ku, Seoul, Korea

TEL: 741-2111/20, 741-4141/70

TLX: HYUNDAI K23111/5, K23175/7HD CORP.

Making It

An operator's manual for homeowners... hitting paydirt with dirt.

He Wrote The Book

Michael Lennon sounds like thousands of distraught homeowners who have had bad experiences with contractors: "I was fascinated by how people at all levels of the construction industry didn't really know what they were doing, didn't have technical knowledge, but were making big bucks."

Lennon, 41, isn't an unhappy homeowner. He is a former painting subcontractor, drywaller and all-around construction pro who turned to property inspections in 1977 and launched his own company in 1981. Today, Homepro Systems of McLean, Va., may be the largest home-inspection company in the country, with Lennon's staff of about 40 employees and independent contractors doing about 10,000 inspections this year. But Lennon is pushing his company to be more than a home-inspection business; he wants to be the foremost authority on home repair.

The most visible evidence of this effort is *The Homebook*, Lennon's two-inch-thick, 12-section, color-coded loose-leaf distillation of the 14 years he has spent in and around homes; he calls it an operator's manual for homeowners. You say you need information on plumbing? Foundation cracks? Wall bulges? Wood borers? Frame repairs? Electrical work? *The Homebook* explains the category, discusses maintenance, gives five-year projections of costs and repairs, and rates the property and its components. *The Homebook* is distributed to everyone who hires the company for an inspection.

The foundation of Lennon's company was laid in 1974, when he took \$5,000 in savings and went into business for himself, subcontracting with construction companies to paint houses in the Capitol Hill section of Washington. He didn't have any experience in construction, so he started reading about it. He found the literature lacking.

Lennon also expanded his business, moving on to drywall of new homes, renovations, ceiling work and so on. Every time he entered a new field, he hired an experienced professional to



PHOTO: KEN TOUCHTON

When Michael Lennon of Virginia-based Homepro Systems inspects a house, he gives the new owner what he calls an operator's manual—The Homebook, a guide to maintenance.

work with him—and train him. "Construction isn't like many trades, where education is transferred through trade schools or unions," Lennon says. "Basically, I was giving myself a degree in blue-collar work."

Lennon responded to an advertisement for a seminar on buying and repairing old homes in 1977 and wound up going to work for the home-inspection company that placed the ad. He worked for that company until he formed Homepro in 1981.

How did Lennon build a \$2 million business in seven years? Word-of-mouth, some advertising, referrals from other professionals and a lot of personal promotion. Lennon wrote a column for the *Washington Post*, and he offered his services as a housing expert to all the local radio talk shows. He gave slide shows, conducted seminars on how to work with home inspectors and talked with local groups of real-estate agents about dealing with and identifying faults in properties.

Homepro is now poised to use its core business—inspections—as a springboard for entry into several other areas. "We're training marketing teams to focus on specific groups, such as banks, real-estate agents and citizen associations," Lennon says. Homepro is also starting to promote neighborhood survey inspections, showing groups of property owners how they can cut costs.

Lennon is wholesaling *The Homebook* to around four dozen other home-inspection companies in 16 states and Canada, and he published the first issue of a magazine, *My Home*, last year; three issues have been published so far.

In fact, if Lennon has his way, Homepro will wind up resembling a publishing firm as much as a home-inspection company. He is continuing to sell booklets on structural repairs, energy-saving projects and wet basements, and he has published six books for the home-inspection industry on such subjects as marketing, professional discipline, office procedures and consumer complaints.

Lennon's goal: "We simply want to publish the first accepted, authoritative reference manuals on house problems."

—Joseph Anthony

Diamonds In The Dirt

The next time you're watching the New York Yankees play, and manager Billy Martin goes into a frenzy, keep a close eye on the dirt he kicks toward the umpire. Jim Kelsey does. It's his dirt.

"I get a charge out of managers kicking the dirt around," says Kelsey, 40, owner of Partac Peat Corporation of Great Meadows, N.J. "I figure I'm doing my part to contribute to the game."

Kelsey's firm provides the clay-and-sand mixture that is used by nine major-league teams, 36 minor-league teams and more than 150 colleges. The stuff that cakes the cleats of Yankees, Dodgers, Astros and Cubs alike is dug from the same 1,000-acre farm in northern New Jersey.

Kelsey speaks of his dirt with a reverence others reserve for gold dust. "It's not just whatever comes out of the

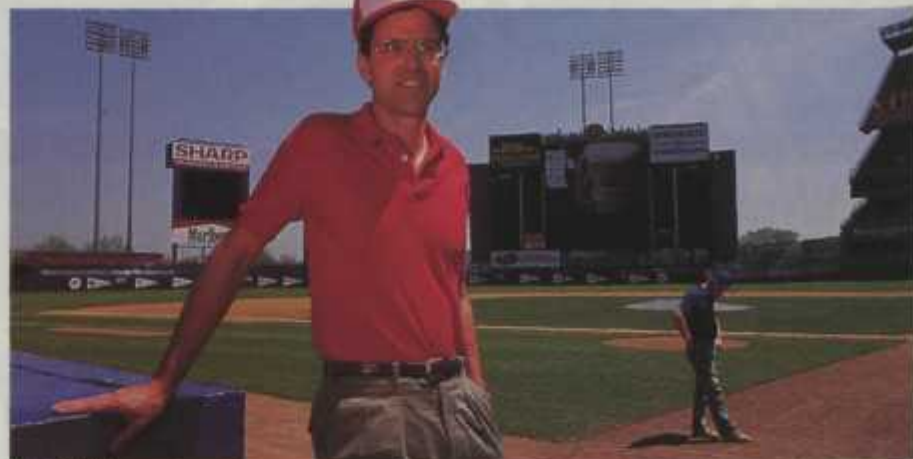


PHOTO: ALAN DIXON

ground," he says. "It's a fine mixture that's processed and shredded to the right consistency. And we can even match colors—red, orange or brown—to suit a particular diamond."

Actually, there are three mixtures: a firmer dirt for the pitcher's mound, where good footing is essential; a medium-hard mix for the batter's box; and a

softer version for the base paths, which must be safe for sliding and porous for quick drainage.

Partac Peat has secret recipes for the mixes (the dirt is sifted, ground up and heated), but Kelsey gives most credit to Mother Nature. "The glaciers stopped right here and dumped all kinds of minerals on the property," he says.

Kelsey's father opened the business in 1947 as a sod farm and producer of peat moss, topsoil and planting mixes. In 1964 the firm provided all the peat for the New York World's Fair. The company's chief product, however, is a special peat moss used by golf courses.

In 1984, Kelsey (who had inherited the firm a few years earlier) bought out a failing local company and picked up its business of producing and selling sports-field dirt. Kelsey has since expanded that business, and now, in addition to selling dirt for ball fields, Partac Peat provides the stuff that clay tennis courts, running and horse tracks and horseshoe pits are made of.

Kelsey won't discuss specifics of sales or profits, but he does say that sports-field dirt accounts for about one third of his revenues.

Partac Peat's dirt is, well, dirt cheap. The special pitcher's-mound mix costs \$7 for a 50-pound bag. That means it costs about \$35 to recondition a mound, \$280 to build one from scratch. "But you can't just throw it on," says Kelsey. "You need a bonding layer, you need to wet things just right."

Adding a one-inch coat to an entire baseball diamond—something major league teams do about once a year—costs around \$2,000.

Although dirt is not exactly a renewable agricultural resource, Kelsey doesn't envision running out of it "for at least the next 20 years."

—Glen Macnow

SCHOOL DAZE

The cost of attending public college rose 61.2% from 1980 to 1987. For private college, that figure was up 80.8%. During that same time, median family income rose just 40.1%. (Source: The College Board)

Solution:

U.S. Chamber ConSern: Loans for Education.

From \$1,500 to \$25,000 a year. They can be used for tuition, books, computers—any school-related expense.



As an employer, there's no paperwork for you. No liability to your business. Show your employees ConSern. Any company that belongs to the U.S. Chamber of Commerce can participate.

FOR DETAILS, CALL TOLL-FREE 1-800-338-7196.

COMING SOON
TO A CITY
NEAR YOU...

AN INTENSIVE ONE-DAY SEMINAR

MANAGING MULTIPLE PRIORITIES

Get Proven Answers to These Daily Challenges:

- ▲ juggle many jobs without dropping the ball
- ▲ maintain quality when quantity seems overwhelming
- ▲ handle more than one person's priorities
- ▲ what to do when everything is important
- ▲ keep cool under deadline pressures
- ▲ fit rush projects into the normal workflow

One low fee includes seminar, comprehensive workbook with check lists to ensure post-seminar follow-through, bonus readings to reinforce new skills on the job, and a one-year subscription to *Nation's Business* magazine!

Other seminar topics:

Management
Customer Service
Secretarial
Financial
Telephone Techniques
Interviewing
Business Writing
Credit & Collections
Supervisory Skills

Seminar Fee:

\$125 Chamber Member
\$160 Non-Member
Includes complete workbooks

Brought to you by

Nation's Business

Produced by

Dun & Bradstreet
Business Education Services

The Frank & Brenner
Foundation

Dun & Bradstreet Corporation Foundation
Business Education Services
("Dun & Bradstreet")

Mail to:

Dun & Bradstreet Business Education Services • P.O. Box 803, Church Street Station,
New York, New York 10008 • For additional information call (212) 312-6865

Yes, I want to find out how to manage my priorities.

_____ Please send me information on this seminar.

_____ Please send me information on all of your other seminars.

Name _____ Title _____ Dept. _____

Organization _____ Telephone (Area Code) _____

Street Address _____

City _____ State _____ Zip _____

806NB



Nation's Business

R E P R I N T S

Like a team of business consultants, Nation's Business reprints provide expert advice on management techniques and strategies, such as how to improve cash flow, raise venture capital, computerize your business, and motivate employees.

Special Reprint Packages

Save Over 19% When You Purchase Special Reprint Packages.

(Individual reprints may be purchased from Special Reprint Packages at the single reprint rates listed below.)

FAMILY-BUSINESS PACKAGE #8705 (\$7.96)

Bringing Your Kids Into The Business (#8700)
Passing On The Dream (#8685)
Family-Business Mission Statement (#8704)
Making Sure Your Business Outlasts You (#8577)
Strategies For Family Firms (#8597)

MANAGING-EMPLOYEES PACKAGE #8706 (\$9.95)

Settling Conflicts Among Your Workers (#8699)
Keeping Your Company's Original Managers (#8698)
How To Prevent Employee Theft (#8655)
Motivating Your Workers For Success (#8697)
Hiring The Best Employees (#8676)
Guidelines For Employee Termination (#8641)

ENTREPRENEURIAL-MANAGEMENT PACKAGE #8707 (\$7.96)

Resolved: I'll Be A Better Boss (#8688)
Making Mergers Work (#8682)
Dealing Successfully With Your Competitors (#8659)
Keeping Your Business Afloat (#8632)
Finding The Ethical Edge (#8661)

TAX-REFORM PACKAGE #8708 (\$9.95)

The 10 Most Frequently Asked Questions About Tax Reform (#8662)
A Post-Reform Tax Review (#8689)
Taxpayers' Bill Of Rights (#8683)
Welcome To Tax Reform (#8618)
New Tax Laws For Home-Based Businesses (#8623)
Your Investment Strategies After Tax Reform (#8647)

COMPUTER PACKAGE #8671 (\$9.95)

Computerizing With Confidence, Part 1 (#8619)
Computerizing With Confidence, Part 2 (#8622)
Computerizing With Confidence, Part 3 (#8628)
Computerizing With Confidence, Part 4 (#8633)
Computerizing With Confidence, Part 5 (#8639)
Computerizing With Confidence, Part 6 (#8645)

FRANCHISING PACKAGE #8668 (\$9.95)

Franchising (#8560)
Dear Diary: I'm Now A Franchisee (#8569)
Born In The USA (#8616)
Franchising: Find That Niche (#8635)
Finding The Right Franchisor (#8608)
Franchising's Future (#8582)

SMALL-BUSINESS FINANCE PACKAGE #8709 (\$9.95)

Strategic Investing (#8559)
Investing After The Stock-Market Fall (#8691)
Managing Your Company's Cash (#8617)
Raising Venture Capital Now (#8634)
Finding Funding (#8593)
How To Find Under \$1 Million (#8678)

Current Reprint Articles

MEET YOUR NEW WORK FORCE (#8714)

America's work force is changing. Learn why your company must adapt to these changes to meet the challenges of the future. (Page 14)

CLAMP A LID ON COMPANY SECRETS (#8715)

See how you can keep departing employees from walking off with company secrets. (Page 30)

HAVE YOUR CASH AND BORROW, TOO (#8716)

Discover how to cut business-loan interest by using savings as collateral. (Page 44)

BREAKING UP IS HARD TO DO (#8717)

What you can do to make partnership splits less painful. (Page 24)

To order call (202) 463-5877. Or mail this coupon to Nation's Business, Reprint Manager, 1615 H Street, N.W., Washington, DC 20062.

SINGLE REPRINT QUANTITIES/RATES

1 to 9 copies	\$1.99 ea.
10 to 29 copies	\$1.49 ea.
30 to 99 copies	\$1.19 ea.
100 to 999 copies	\$.99 ea.

REPRINT #	PRICE	QUANTITY	TOTAL

REPRINT PACKAGES \$7.96 & \$9.95

REPRINT #	PRICE	QUANTITY	TOTAL

☐ Payment Enclosed ☐ Bill Me
☐ Bill my credit card (\$5.00 minimum)
☐ AE ☐ MC ☐ VISA ☐ Choice

Card Number _____ Exp. Date _____

Signature _____

Name _____

Title _____

Address _____

City _____ State _____ Zip _____

For Your Tax File

Yet Another Filing Deadline

By Paul N. Strassels

Employers typically offer pension, profit-sharing or similar retirement plans to their workers, while self-employed individuals use Keogh plans. In either case, you probably must tell the Internal Revenue Service about your firm's plan by the end of July.

The law provides that you must file an annual information return on Form 5500-C, 5500-R or 5500 EZ by the last day of the seventh month following the end of the retirement-plan year. Assuming your corporation, partnership or sole proprietorship operates on a calendar year, you must complete the appropriate form by the end of July. If you file late, the IRS can impose a \$25 per day penalty, up to \$15,000.

If you thought your 1987 individual and business tax returns were difficult, and Form 5500—in any of its versions—can be impossible. Fortunately, you can obtain more time to file this report. Send in Form 5558, Application for Extension of Time To File Certain Employee Plan Returns, and you will receive an automatic 2½-month extension of time to file.

If yours is a single-participant plan (covering only you and perhaps your spouse), you may be able to use Form 5500 EZ. In that case, you get an automatic extension of time until the due date of your tax return, including extensions.

So, if you filed for an extension on your personal income-tax return until mid-August, you can delay filing your pension-plan report until that date. Make certain, though, that you attach a copy of the extension request for Form 5500 EZ when you file.

Saving On Social Security

An employment contract usually provides that an employee has the right to receive two to three months' notice before termination. Wages paid during that time are still subject to Social Security and payroll taxes.

Under a recent IRS ruling, however, payments made to an individual in lieu of his contractual right to receive notice before termination of an employment contract are not wages for Social Security and employment-tax purposes. Accordingly, to save Social Security taxes, make a lump-sum severance payment instead of keeping a terminated employee on the payroll for two or three months once the termination decision has been made.

Guaranteeing Your Own Bank Loans—For A Fee

Business owners are always trying to devise ways to take money out of their companies without subjecting the withdrawals to payroll taxes or letting the IRS label the cash as disguised dividends (which are doubly taxed, first to the corporation and then to the individual). One successful technique involves personally guaranteeing your firm's bank loans.

The owners of a closely held firm are often forced to make a personal guarantee. Otherwise the bank won't make the loan.

In that situation, charge your firm 3 percent, say, of the loan amount for the guarantee. The company can deduct the fee as a business expense.

Just make sure beforehand that you decide precisely how much of the loan you are guaranteeing, that borrowing is a reasonable way for the business to raise cash and that the loan-guarantee fee is a reasonable amount.

Still More Reports

Whenever a piece of real estate is bought, sold or otherwise transferred, the settlement attorney or the real-estate broker is supposed to tell the Internal Revenue Service. At the present time, however, the IRS requires reports only on sales of residential real estate of four units or fewer.



Forms, forms and still more forms. Will it ever end?

The IRS is now planning to expand this reporting requirement to commercial real estate, apartment buildings and raw land.

One bit of good news is that sales by corporations will continue to be exempt from the reporting rule.

Label That Check!

Every time you make a tax payment of any kind, you should specify on the face of your check precisely how you want your money applied. If you fail to make that notation, the Internal Revenue Service is free to apply the funds according to its policies, which state that the money will be used first to cover outstanding tax debts that have been on the books for the longest period of time, then interest, then penalties. If there is money left over, it will be applied to the next longest outstanding debt.

The notation is simple.

In the lower-left corner of the check, jot down your Social Security number (or tax identification number), the tax form and the year to which the payment applies. Say you are making an estimated-tax payment. The notation would be your Social Security number, followed by Form 1040ES, 1988. That's sufficient to tell the IRS which account to credit. **■**



Paul N. Strassels, president of Money Matters, Inc., Burke, Va., is a tax-law specialist and financial adviser.

Labor Of Division: Taxes After Divorce

By Gerald W. Padwe, C.P.A.

Inevitably, divorce causes emotional trauma and produces competing interests in the division of property. Tax questions add to the difficulties.

Counsel for each party to a divorce must, of course, be aware of the tax rules applicable to various aspects of divorce settlements. Negotiations leading to a final decree must take into account the technical tax rules that apply to amounts specified for alimony (generally deductible to the payer and taxable to the recipient) and child support (generally not deductible to the payer and not taxable to the recipient).

But what about an actual transfer of assets—from husband to wife, say—as a requirement of the divorce decree? Assume the not-uncommon case in which the family home, purchased with the husband's funds some years ago, has appreciated in value and is now being transferred to the wife as part of the divorce settlement. How should such a transfer be taxed—if at all?

In a 1962 Supreme Court decision, the husband was viewed as exchanging property (the home) for the end of his legal obligation to support the wife. Negotiations had produced an implicit value for forgiveness of the obligation, equal to the value of the property transferred. In other words, the husband had received something of equal value as he gave up the home, and so he was taxed on the appreciation in that home over his original cost. Under this approach, the wife receiving the home would have, as her cost, the current fair-market value of the house, since tax had been paid based on that value. Thus, a "stepped-up" tax cost was transferred to the wife.

Congress changed that in 1984. Under present law, the husband is not viewed as receiving money, or the equivalent of money, for the transfer of the home, even though he is relieved of the legal obligation to support the wife.



PHOTO: JEFFREY R. MYERS—ONPHOTO

Thus, no tax is imposed on the transfer of the appreciated property, and, in consequence, the tax cost of the home to the wife is not stepped up but remains what it was in the hands of the husband.

A 1987 revenue ruling reminds us, however, that there are nuances to this policy change. One spouse, as part of a divorce settlement, transferred to the other spouse U.S. savings bonds on which interest had been accruing for some years but—in accordance with the reporting method used by most taxpayers—would not be reported as income until the bonds were redeemed. In such a case, said the Internal Revenue Service, the general rules providing for a tax-free transfer did not apply. This was not a situation where the bonds had appreciated in value because of market factors; rather, the interest income had been earned, but it had escaped earlier taxation because of a special deferral provision in the tax laws.

Accordingly, the IRS said, the accrued but unreported interest was taxable to the transferring spouse at the date of transfer. The recipient spouse took a tax cost in the bonds that included the interest income that had just been taxed.

The Law Of Rules

One of the great court-made rules is that the substance of a transaction should prevail over its form. Bright lawyers and accountants will always be able to give a transaction a shape that seems to conform to some requirement

of the Internal Revenue Code; but, say the courts, what matters is what the transaction really does.

At least, most of the time. Over the past few years, in more and more cases, the courts have held for the government when a taxpayer did not meet technical requirements set forth by the Internal Revenue Service in its regulations, even though the taxpayer had demonstrated compliance with the substance of the regulations.

For example, the law limits how much of an S corporation's losses the corporation can pass through to a shareholder for deduction on the shareholder's return. The ceiling is equal to the shareholder's tax cost in his shares, plus any amount lent by him to the corporation. The taxpayer cannot deduct any losses above that ceiling in the current year.

In one recent case, an S corporation decided not to have a shareholder borrow from a bank and transfer the funds to the corporation.

Instead, the corporation itself borrowed the funds, and the shareholder guaranteed the loan. The IRS said the loan did not qualify under the rules permitting shareholders to deduct an S corporation's losses.

A difference in form but not in substance? Sorry, said the Tax Court; the shareholder's ceiling for deductible losses for the year was limited to stock cost only and was disallowed for the purported loan.

In other words, sometimes the rule is: "form or substance, whichever hurts the taxpayer more." ■



Gerald W. Padwe is national director-tax practice for Touche Ross & Co. Readers should see tax and legal advisers on specific cases.

Where I Stand

Results of this monthly poll are forwarded to top government officials in the White House and Congress.

1. Enlist Military In War On Drugs?

The House and Senate have called on President Reagan to increase substantially the role of U.S. armed forces in detecting, intercepting and arresting drug smugglers. The White House says it will accept the charge to assist civilian law-enforcement authorities, who

often are outmanned and outgunned by international drug traffickers. However, Defense Secretary Frank Carlucci is urging reconsideration of the plan, which, he says, would stretch military personnel so thin that national security would be jeopardized. Should America's armed forces be used to combat drug smuggling?

2. Legalize Drug Use?

At the same time Congress is calling for escalation of the war on drugs, many public and private figures, led by Baltimore Mayor Kurt Schmoke, are calling for legalization of most narcotics. They argue that America cannot win the war against drugs. Legalizing

them would reduce drug-related crime by eliminating the big profits. Opponents of this plan, led in Congress by Rep. Charles B. Rangel (D-N.Y.), say it would make drugs more acceptable, more available and more widely used and would send the wrong message to children. Should use of narcotics be legalized?

3. Allow Drug Testing Of Employees?

Employee substance abuse, legal or illegal, is a costly problem for employers. Substance abuse leads to increased illness, absenteeism or on-the-job accidents, all of which increase insurance and other employer costs. Many support drug testing of job applicants and

employees. Others oppose testing as an invasion of fundamental American rights of privacy. Do you favor allowing drug testing of job applicants and employees?

Verdicts On May Poll

Here is how readers responded to the questions in the May issue.

	Yes	No	Undecided
Should Congress approve a training wage for new hires?	61%	32%	7%
Should federal workers engage in partisan politics?	20%	69%	11%
Should the offshore leasing program be continued?	72%	17%	11%



Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062.

Advertiser Information

To respond to Where I Stand or to receive Advertiser Information, please call 1-800-443-5903 or complete the necessary information on the attached card and drop it in the mail.

Academic Guidance Services 8
Access Capital, Inc. 97
American Isuzu Motors 18
Best Western International 10
ConSern 53
Dale Carnegie & Assoc. 1
Eagle's Nest Homes 33
Executive Seminars in Sound 75
Ford Truck Division 2
W.W. Grainger 27
High Country Fashions 56
Hotel Lotte Co., Ltd. 99
Hyundai Motor America 96
Lindal Cedar Homes 15
Mar-Kal Products 48
Marlenna Fashions 17
Mitsubishi Motors 7
National Business Consultants 19
Office Mates 5 11
Phillips Petroleum 30
Pitney Bowes 37
Samsung Group 98
Swintec Corporation 51
U.S. West—Public Phones 9
Xerox Corporation 55

OPEN AND OWN A \$13.99 OR LESS

LADIES OR CHILDRENS APPAREL STORE!

"The hottest concepts in Apparel Retailing." Open within 3 weeks, protected territory, feature values up to \$40 for \$13.99 and less, deal with real nice folks.

\$19,975 Includes:

Beginning inventory, in-store training, fixtures, supplies, travel allowance, follow-up program and much more.

CALL
ANYTIME
1-904-785-4111



Circle No. 17 on Reader Service Card.

FRANCHISE

Your Business.

FRANCHISE CONSULTING GROUP, INC.
the franchise consultants

BOSTON

(617) 740-2211

\$\$\$DECALS-SIGNS\$\$\$

AVERAGE 2 FRANCHISES PER STATE EXCLUSIVE TERRITORIES. SELL DECALS TO MULTI-MILLION DOLLAR MARKET. MINIMUM INVESTMENT \$50,000. SOME TERRITORIES WITH EXISTING ACCOUNTS. FINANCING AVAILABLE THROUGH THIRD PARTY IF QUALIFIED.

WRITE OR CALL, MARKETING DIRECTOR
MAR-KAL PRODUCTS CORP. 105 WALNUT ST.
MONTECLAIR, NJ 07042 201-783-7355

Circle No. 48 on Reader Service Card.

BUSINESS CONSULTANT

The demand for consultants is increasing as internal management is being replaced by outside, unbiased consultants. We are managing the future and sharing it. Enjoy the advantage of being self-employed with the association and support of one of the largest and most respected consulting firms in the country. Full expense paid training in New Orleans, national advertising, and fringe benefits. Relocation not required. Nominal refundable performance deposit of \$7,500 required. Call for free company brochure and details.

National Business Consultants, Inc.
Mr. Mark Simon, Exec. V.P.
(504) 456-1968
New Orleans, LA



Circle No. 19 on Reader Service Card.

Cash In On Today's Housing Revolution ...And Live In Luxury!

Earn a top living as an Eagle's Nest Homes representative — and live in luxury in a stunning model home.

Models as low as \$17 per sq. ft.

- Interior and exterior design flexibility
- Remarkably energy-efficient
- Cathedral ceilings and exterior decks
- Built-in, expandable
- Home Computer Center
- FHA and VA accepted

Unlimited Income Potential

As an Eagle's Nest Homes representative, you have unlimited income potential in a defined territory. And the only qualification you need is the ability to purchase or mortgage a \$25,000 model which may be finished as a home to live in, or sell, or completed as an office, condo, duplex, or other commercial enterprise.

Call Mr. Nations
collect: (404) 479-9700



P.O. Drawer 1569
Canton, GA 30114-1569

Circle No. 33 on Reader Service Card.

OWN YOUR OWN COMPANY for \$495!

Make 300% Profit Providing
Students with TODAY'S MOST
DESPERATELY NEEDED SERVICE!
Computerized Scholarship/
Financial Aid Matching Service

The Problem:
\$125 Million in College
Financial Aid go
unused every year!
Students who really
need funds sometimes
never even know it!

The Solution:
A Computerized
Matching Service which
locates money for
students. Our licensees
do it for students across
the country everyday!

BE YOUR OWN BOSS!

As an AGS Licensee, you own your own business, pick your own hours—even operate out of your own home! You create the name of your company, decide the price—everything! YOU'RE IN CHARGE!

You don't need your own computer because we do all the processing for you!

NO EXPERIENCE NECESSARY!

We show how to market your business. We provide you with the instructions and materials you need. The service can be conducted by direct mail—you can market it in ANY region of the country you desire. AND, NO DIRECT SELLING NECESSARY!

WE PRIVATE LABEL THE SERVICE

UNDER YOUR NAME AND

YOU CAN EARN OVER 300% PROFIT!

For Our FREE BROCHURE

Name _____

Address _____

City, State, Zip _____

Phone _____



Academic Guidance Services
230 Winding Way, 1st Floor
Marlton, NJ 08053
1-800-USA-1221

Circle No. 8 on Reader Service Card.

Build Your Future With Lindal.



Build an independent business on a solid foundation. With Lindal Cedar Homes, the world's most popular custom cedar houses for over 40 years.

- No franchise fees
- Internationally recognized housing giant
- Dealer training schools and ongoing regional seminars
- National advertising, marketing, and co-op support
- Best planbooks and sales aids in the industry
- Multiple product lines

Right now we're looking for a good dealer in many areas. For more information, please call 800-221-6063.

Lindal Cedar Homes
P.O. Box 24426, Seattle, WA 98124 206-725-0900

Circle No. 15 on Reader Service Card.

OWN YOUR OWN RETAIL APPAREL or SHOE STORE

WE OFFER YOU

Your choice of store size, and merchandise... ladies, mens, infant/pre-teen, large sizes, petite, dancewear/aerobic, bridal shop, accessories, lingerie store, and color analysis. Also \$14.99 one-price ladies, childrens apparel stores, and \$13.99 one-price, discount or family shoe stores.

Your investment ranges from \$17,900 to \$27,900 and includes beginning inventory from over 2000 famous brands, fixtures, training, grand opening and more. A proven way to success and independence in the fashion field. Over 2,800 stores sold nationwide.

The first step is up to you!

Call today.



Stephen C. Loughlin
612-888-6555

Circle No. 56 on Reader Service Card.

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-6640) or write: Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
\$41	\$36	\$32	\$24	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

APPAREL/UNIFORMS



Embroidered Caps • Shirts • Jackets
IMMEDIATE DELIVERY

Call for FREE Catalog
TOLL FREE (800) 792-2277
In Calif. (800) 826-8585
San Francisco Embroidery Works
3952 Point Eden Way • Hayward, CA 94545

AUTOMOTIVE

Cardiacs, Mercedes, Porsche, etc. direct from Government. Seized in drug raids. Available your areas. Save thousands. 216-453-3000, Ext. A8144.

BUSINESS OPPORTUNITIES

NATION'S BEST HOME BUSINESS OPPORTUNITIES. Free Subscription. Send name, address, zip to Spare Time magazine, Dept. T2-78, 5810 W. Oklahoma Ave., Milwaukee, WI 53219.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 57, Montvale, NJ 07645.

BUSINESS OPPORTUNITIES

ADVERTISING EXPERT DESIGNS POWER-PACKED ADS to sell your products or services. Millions in sales, clients worldwide. FREE Brochure. Call Jay Reiss (805) 683-3992.

SELL MONEY! Become a loan broker. Free details. Financial Planning, Dept. NB-201, 210 5th Ave., New York, NY 10010. (718) 788-8803, ext. 200 (24hrs.).

FOREIGN TRADE FAIR NEWSLETTER: Lists new products offered by foreign manufacturers to U.S. firms. Free details. International Index, Box 636 NB, Newark, NJ 07101.

FREE REPORT: Earn up to \$7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, #BN-788, Box 4309, West Covina, CA 91791.

DOUBLE YOUR INCOME IN YOUR SPARE TIME Unique, repeat executive business. Inquire: Ran-Pro, 1817 Northhills, Knoxville, TN 37917.

****ARAB BUSINESSMEN****
HAVE MONEY TO BUY & INVEST.
Top lenders fee paid. Dept. 788NB1.
Box 100, Nation's Business

POWER EARNINGS! \$400 daily buying & selling automobiles wholesale, even without investment! Complete expert instructions. For free details write: JF Smith, Box 2085, Titusville, FL 32781.

BEST KEPT SECRET. Earn profits of \$50,000 to \$150,000 with investment as low as \$50,000 owning a CHECK CASHING SERVICE. Extremely liquid "inventory." HMC Consulting, 707 SE 122nd Ave., Portland, OR 97233. (503)255-1127.

BIG INCOME AS A REP
How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps, Box 6266-N, Kansas City, KS 66106. (913) 268-9458.

INCREASE YOUR INCOME
How to start & operate your own profitable business from home. Complete expert instructions. For free details: Custom Publishing, 8922 West 83rd Pl., Justice, IL 60458.

It's YOUR Business!
Tired of the 9to5 grind? Do you desire financial freedom? Now there's a proven, guaranteed way to prosper in your own profitable business at home. For free info: M. Tammes Co., #130 22nd St., Dept. NB7, Sacramento, CA 95818.

GUARANTEED HOME-BASED BUSINESS OPPORTUNITIES. Detailed, step-by-step guide will show you how. Little or no investment required in many cases. \$2,000 to \$5,000 monthly in spare time. Complete guide \$9.95-DLM Associates, Box 394, Bronxville, NY 10708. Dept. N.

BECOME A SUCCESSFUL MANUFACTURERS' REPRESENTATIVE. Manufacturers' Agents' Newsletter tells you which firms are looking for representatives, the firm's product line and territories available. Established since 1966. For information write: Manufacturers' Agents' Newsletter, Dept. 130A, 23573 Prospect Avenue, Farmington, MI 48024.

INCREASE SALES...USE AN 800 LINE!
AND OUR CREDIT CARD PROCESSING
America's only company offering 800 line answering for just \$35.00 per month! It's true. Plus much, much more. We can design & place your advertising. Answer your response, process the credit card sales, store & ship your product & give you WATS lines, TLX & FAX numbers for your own letterhead. Pick only the service you need. Call Danny Wolf, Wolf Airport, Eldersburg, MD 21784 at 800-639-2000 or 800-831-4300 in MD. Telenor 800 can increase your business...try us.

S.P.O.R.T.S.-A. INC. IS NOW OFFERING A SPORTS-ORIENTED BUSINESS OF YOUR OWN—Only \$495.00 Initial Fee
An overwhelming market that must have your service!! You may earn up to \$10,000 every month!!
To obtain free information, please call toll free 1-800-634-0321. In New Jersey, 1-609-722-8225.
Scholastic Placement Organization for The Student Athlete

15,000 BUSINESSES FROM COAST TO COAST
No Brokerage Commission
Inquiries & listings welcome
BUSINESS OWNERS
MULTIPLE LISTING SERVICE
Toll-Free 800-327-9630
In Fla. call 305-462-2524

BUSINESS OPPORTUNITIES

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT: Mellinger, Dept. N-1559, Woodland Hills, California 91367.

MANUFACTURING OF MACHINERY for processing rubber or plastics with nationwide sales. Latest technology, patterns, sales contacts, inventory. Call 203-383-0427.

GET RESULTS. Top Advertising & Marketing expert will write, design, produce ads/catalogs for fee or percentage of results. Call Justus Hardin: 817-854-2615.

JOIN THE INITIAL PHASE of a Programmed Distributor Network for Heavy Duty Truck Parts. Territories available in the Mid-Atlantic states. Aftermarket experience helpful or train with the professionals. Reply to: District Sales Mgr., Box 535, N. Lima, OH 44452.

INCREASE YOUR INCOME!
Arrange loans, leases, other financial services through nationwide lender network. Prestigious money business, full/part-time. Top commissions, complete training, continuous support. FREE details by electronic mail: PFA, Box 697-G2, Dana Point, CA 92629. (714) 240-0405, X100-G2.

Start your own business for under \$250!

Learn how to clean and seal wood siding—refurbish a shingled or clapboard house in one weekend for \$1500 or more! Do it yourself or hire students. Our complete business startup kit has: "how-to" manual, advertisements, estimate forms, everything you need with no franchise fees! To order, send \$39.95 (In Mass add 5% tax) plus \$3.00 shipping to:
Shingle CLEAN, D-14, P.O. Box 688
West Yarmouth, MA 02573
Information \$1.00 (limited if kit purchased)

BUSINESS SERVICES

PRE-EMPLOYMENT SCREENING PROGRAM
1-800-225-2499, Wash/Metro: 370-1999

WANT TO EXPAND YOUR BUSINESS? We can help you gain the Hispanic market. We can produce customized services for you. Let us organize your publicity campaign. Malloy Starr & Melissa Hope, W.O.L. Inc., 1730 K Street, NW, Suite 304, Washington, D.C. 20005. 202-295-0947 ext. 1566.

INCORPORATE IN DELAWARE WITHIN 24 HOURS for only \$95. Add \$100 for Corporate Kit and Employer Identification Number. FREE Delaware Incorporation Handbook includes Subchapter S information. Registered Agent/800 and Local Telephone Answering/Mailing Address/Forwarding Services. **DELAWARE BUSINESS INCORPORATORS, INC.**, P.O. Box 2838, Wilmington, DE 19806-0838. TOLL FREE 1-800-423-2993 anytime. VISA/Mastercard.

CARPET

Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"
(A MILL OWNED OUTLET)
Big savings — all qualities business & home carpets. Call, visit, or write requirements with \$10 for samples (refundable upon return or purchase). 1-75, ext. 135, (3004 Parquet Rd.) Dalton, GA 30720. 1-800-241-4064, ext. 79. In GA: 404-277-3690.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
Built-in Resistance to Stain, Soil, Static, & Wear
Call or write for brochures and samples. **BECKLER'S CARPET OUTLET, INC.**, P.O. Box 9, Dalton, GA 30720. Call 404-277-1151. Established 1949.
Buy direct from mill outlet and save!

COMPUTER SUPPLIES

CUSTOM PRINTED COMPUTER STATIONERY & FORMS
Free Samples & Prices: 800-624-2951, (TN) 901-756-7010 or write: Performs Press, 8456 Lofren, Cordova, TN 38016.

COMPUTERS/ACCESSORIES/SOFTWARE

Radio Shack Tandy
Our 10th year of DISCOUNTS
COMPUTERS & CELLULAR PHONES
Fgt. Prepaid. Save Tax
Toll Free 800-231-3660
MARYMAC INDUSTRIES INC.
22511 Katy Fwy., Katy (Houston) TX 77450
1-713-392-0747 Telex: 774132

Become a mail-order guidance counselor...
Use our computers to match students to scholarships. (No experience necessary—we do the computer work.)
We offer you the prestige opportunity to earn vast amounts of money assisting families who desperately need your help. \$495 required if accepted. Up to 300% profit—millions of names available yearly.
1-800-USA-1221
ACADEMIC GUIDANCE SERVICES
230 Irving Ave., Madison, NJ 07652

NATION'S BUSINESS CLASSIFIED

COMPUTERS/ACCESSORIES/SOFTWARE

BUSINESS OWNERS. Guard sensitive data on your IBM compatible PC. Password protection software \$29.95 complete. Catalog \$2.00 refundable with order. DLM Associates, Box 7674, Greenwich, CT 06836, Dept. N.

CONSULTANTS

2ND PASSPORTS/Regular + Diplomatic/IDs/Citizenships/Driver's Licenses/Consultants/University Degrees. 99 Countries. MG, 26 Kleomenous, Athens 10675 Greece. TLX 221646.

EDUCATION/TRAINING PROGRAMS

BA, MA, MBA & PhD degrees in Bus/Econ. by tutorials & testing. CHASE UNIVERSITY, 2144 South 1100 East, Suite 190-175, Salt Lake City, UT 84108; (801) 320-CHASE.

COMPLETE MA/BS/PHD/LAW DEGREE at CityUnivLA. "Computerized Independent Study". 3990 Wilshire Blvd., LA, CA 90010. 1-800-262-8388/213-382-3801.

UNIVERSITY DEGREES BY MAIL

BA, MA, PhDs, FAST. Write: Success, 2899 Agoura, #127B, Westlake, CA 91360. Call 24 hr. - 818-377-4314.

FREE COLLEGE TAPE External Degree Programs Business Administration, Public Administration, LAW (Quality Bar Admission). Fully Accredited. Financial Aid. (800) 847-0005. (514) 469-9933. LaSalle University, PO Box 28531, St. Louis, MO 63146.

VILLAREAL NATIONAL UNIVERSITY

Fully accredited state university, 45,000 students on campus. Offering non-residential Master's and Doctorate degrees. Inquire: International Program, c/o International Educational Consultants, 4521 Campus Drive, Suite 444P, Irvine, CA 92715.

BACHELORS, MASTERS, DOCTORAL DEGREES

Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 4532 West Napoleon Ave., Metairie, LA 70001. (800) 433-5925 or 433-5923.

ANGLO-AMERICAN OFF-CAMPUS INDIVIDUALIZED PROGRAMS for professionals at Somerset lead to American Doctor's degrees including Higher Doctorates. For a prospectus send \$5 to the International Administrative Centre, Somerset University, Bimington, Somerset, TA19 0BQ, England. Tel: (0460) 57255.

EXECUTIVE GIFTS

*****WATCH REPLICAS*****

GUARANTEED LOWEST PRICES! Warranty! Goldplated! Exact weight! LIMITED FREE PROMOTIONS! CALL NOW (404) 963-3USA.

FACSIMILE MACHINES

Sharp • Canon • Murata
FACSIMILE MACHINES

Highest discounts available in U.S!
Full Training & Service! • Save Sales Tax!
Call Us Today!

FAX OF AMERICA
1-800-342-FAXX
America's Low Price Fax Distributor

FINANCE/INVESTMENTS

10-15% MONEY MARKET ACCOUNTS
Instant Liquidity. Government Insured - Write, Investor, P.O. Box 914, Narberth, PA 19072.

INVESTMENT MATCHMAKER has thousands of CLIENT investors, lenders and buyers for venture capital, loans and real estate. 1-800-421-3388 (In CA 213-854-6291).

FRANCHISE OPPORTUNITIES/SERVICES

SUB SHOPS

One of the Nation's fastest growing fast food concepts is now offering Master franchises. 305-486-5500.

GET THE FACTS ON OVER 3,500 FRANCHISORS
1988 Franchise Annual Directory includes Handbook concerning what you should know before entering Franchise. \$22.95 includes postage. Money-back Guarantee. INFO FRANCHISE NEWS, 728 K Center St, Lewiston, NY 14092.

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(In N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

HUNTING/FISHING

HUNT PHEASANTS in the pheasant capital of the world. Finest hunting anywhere at reasonable rates. Send inquiries to: Ringneck Roost, Dallas, SD 57529 or phone 605-835-8929.

IMPORT/EXPORT

HOW TO IMPORT/EXPORT

Sources, etc. Kifco, Drawer 6266-N, Kansas City, Kansas 66108.

UNIQUE USA & INT'L IMPORT/EXPORT BUSINESS DEVELOPMENT GUIDE. For free information: GRIST, P.O. Box 227, Amherst, MA 01004.

INCENTIVE GIFTS & PREMIUMS

CRUISE TO BAHAMAS!

5 days/4 nights, hotel accommodations for 2. \$155.95! CALL NOW! 404-963-3872.

INVENTIONS

INVENTORS! Innovation Center in Washington, D.C. will assist you through Research and Development! For free information: In US & Canada: 1-800-626-2826.

HAVE AN IDEA, INVENTION, OR NEW PRODUCT? Don't know what to do? Call AIM, we may be able to help. Call for free info kit, toll free 1-800-225-5800.

INVENTIONS, IDEAS, NEW PRODUCTS WANTED!

1-800-288-IDEA
ISC-NB, 903 Liberty, Pittsburgh, PA 15222

INVENTORS! Can you patent and profit from your idea? Call AMERICAN INVENTORS CORPORATION for free information. Over a decade of service. 1-800-338-5856. In Massachusetts or Canada call: (413) 569-3753.

INVENTORIES WANTED

Turn idle stock into working capital. FAX inventory lists. 312-676-1185 or call toll-free 1-800-466-1414. Speedway Trading Corp., 7360 Channel Rd., Skokie, IL 60076.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5546 (In IL: 312-275-4422).

FREE MAILING LIST CONSULTATION. Every category available. Details: GOC/46S, box 1107, Stuart, FL 34995. Or call for free consultation, 800-554-LIST or 407-334-5205.

MANUFACTURING

WANTED VINYL WINDOW MANUFACTURERS

Contact Vinylume Products for an opportunity to manufacture vinyl tilt replacement windows plus a complete line of vinyl casement windows & vinyl storm windows. KD programs available. Exclusive territories available. Minimal investment required. Call or write for details. VINYLUME PRODUCTS, INC., 904 Tod Ave., Youngstown, OH 44502. 216-744-4153.

SEMINARS/CONFERENCES/CONVENTIONS

ATTENTION MEETING PLANNERS

Your program will be terrific with our speakers. Call us for ideas. National News Speakers Bureau, 1199 National Press Bldg., Wash., DC 20045. 202-638-7468.

SUCCESS LEADERS SPEAKER SERVICE

Jordan Enterprises provides business, gov't leaders, convention keynote speakers, sales mgmt. trainers, humorists, entertainers, celebrities. Margaret M. or Dr. DuPre Jordan, Communications Center, Box 1400, Roswell, GA 30077. 404-261-1122. Meeting Planners call 1-800-ORATORS (672-8677).



PAT PAULSEN

Pat Paulsen
Enterprises, Inc.
10395 W. Colfax Ave.
Suite 225
Lakewood, CO 80215
(303) 238-5902
Linda Chaney
Publicist/Promoter

TELEPHONE/TELEX SERVICES/EQUIPMENT

GUARANTEED LOWEST COST SERVICE IN AMERICA
WATS lines, Telex Lines & Facsimile lines for your letter head, as low as \$6.25 per month! Call 800-638-2000 or 800-831-4300 in MD. FAX 301-649-2867.

TRAVEL/VACATION RENTALS/EXCHANGES

CHARTER THE CHESAPEAKE BAY

On a 47' 20 Knot House Boat. Captain or Bare. Hansen Marine, Box 70263, Washington, DC 20088. 301-269-7542.

HAWAII CONDOS at WAILEA, Maui. Superb, safe beaches, pools, tennis. Save up to \$50 on green fees on 2 championship courses. Hawaii Premier Resorts: 1-800-367-2950.

ST. CROIX VILLA: Maid, pool, 4/10-12/14, \$750/wk; 12/15-4/15, \$1500/wk. Low airfares. Box Collins, Wright Ln, Westford, MA 01886. 617-892-8613. Also, homestead w/expansive sea view for sale.



Now YOU can save Millions of Dollars in Inventory

How To Control
and Reduce Inventory

• 221 Pages • New Second Edition • Step-By-Step Examples • Exhibits, Graphs, Charts • Case Studies • Sample Computer Programs • Fully Indexed • 8 1/2" x 11" Pocket Sized • Only \$81.50 Fully Guaranteed and Postpaid • Written by H.E. Lippman, America's Foremost Inventory Management Authority

This easy-to-install INVENTORY PROGRAM gives you exactly what you need immediate and highly-visible results! You quickly learn how to reduce inventory dollars, slash the number of months supply, and cut your paperwork dramatically—while boosting profits and improving customer service! This publishing breakthrough gives you all the practical facts—from order points and EOQ to effective reduction techniques. The SIX STAGE PROGRAM starts with basic and effective hand-operated systems, then systematically builds to more advanced and computerized techniques. It's a truly a goldmine of information, loaded with helpful systems, charts, graphs, and computer printouts in an easy-to-follow and implement format. And it's practically doesn't stop there: it also contains helpful, tested "political and motivational strategy" lessons—to make sure you get the full backing, cooperation, and assistance you need to get the job done!

PRENTICE-HALL says this is the book to "beat off your money leaks." The U.S. Department of Commerce recommends it and APICS lists it in their Suggested Bibliography. Act now, it's time YOU became a Million-Dollar Saver!

Call Publishing P.O. Box 1200
c/o Nation's Business Washington, DC 20013
☐ Check enclosed ☐ VISA
☐ MasterCard ☐ American Express
CASH ☐ ☐

No shipment without pre payment

Name _____
Address _____
City _____ State _____ Zip _____

How To Fare Well At The Fair

Germany's colossal trade fair in Hanover can be used as a gateway to global marketing by small U.S. companies.

By Steven Golob

We went to the Hanover Fair, The buyers and sellers were there; Our advice on return, from what we did learn: Prepare, prepare, prepare.

Europe is the home of the international trade fair. Germany hosts the most fairs, and Hanover has the biggest fairground in Germany. The fairground's 23 exhibition halls, many of which are multilevel, cover the equivalent of 78 football fields.

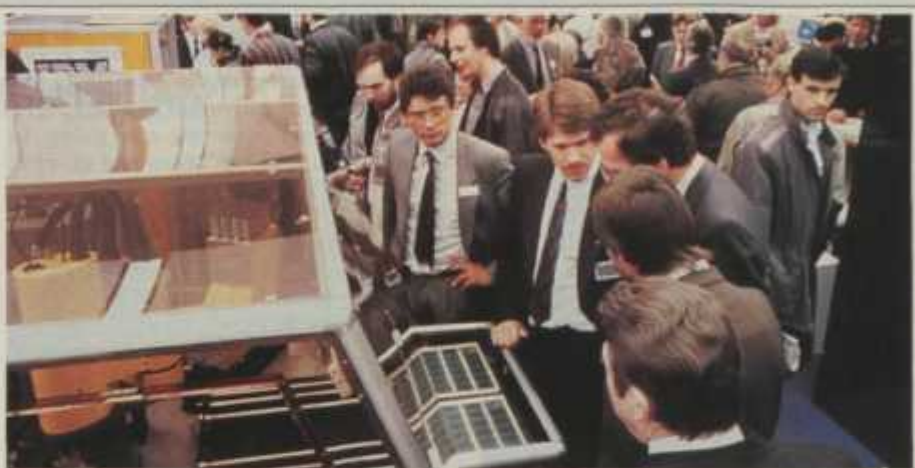
Because of the multitude and variety of exhibits at this colossus, *Nation's Business* chose to visit Hanover in search of advice for small and midsized U.S. companies on breaking into the world market.

We attended the annual Hanover Fair Industry, billed as "the largest horizontal, industrial trade fair in the world." During its eight-day run late in April, some 5,800 industrial-equipment makers showed their machines to several hundred thousand visitors—The vast majority of them buyers carrying order books and letters of credit, or prospective distributors looking for products to market in the more than 100 countries from which they came.

Approximately 93,000 visitors from outside Germany attended the fair. Exhibitors from around the world included 50 firms that came directly from the United States and 34 other U.S. companies represented by overseas subsidiaries.

"Our purpose for attending is to create European distribution," said William Bradley, export manager of American Spray Industries of Harrison, Ind. "We have met several potential distributors from every European country," he added. It will be several months before results of the exhibition will be available to the company, which makes paint sprayers.

Last year's Hanover Fair Industry "generated a substantial amount of business," said Roy Gignac, president of Engineering Design & Sales, Inc., of Danville, Va., a manufacturer of battery chargers and other power supplies. But results at this year's fair were disappointing, he said during the exhibit. "We are just in the wrong hall this year." The problem was not the hall itself, Gignac noted, but that the com-



Exhibitors show their wares at the 1988 Hanover Fair Industry.

panies with whom he shared the exhibition area were not right for his display; their products and his did not complement one another, as they had the year before.

Which brings us to: Prepare, prepare, prepare.

For prospective exhibitors, the Hanover fair authority and its counterparts at other fairs can supply a great deal of information, including who will be in the adjoining booth. Nevertheless, we advise that you go to a fair as a visitor before you return as an exhibitor. You can ease the halls for the right location for your booth, and you can check out factors such as:

- **International competition.** By learning the latest designs and efficiencies of products from abroad that may compete with yours, or by working out a joint operating agreement with an overseas competitor, you can make your trip far more beneficial than if you just learned the fair's layout.

- **Accommodations and transportation.** Hanover's hotels can't accommodate the hundreds of thousands of visitors to the fair, so private homes are opened and special trains are added. The homes are so popular that many visitors return fair after fair to stay at the same homes. The special trains run from nearby cities and towns right onto the fairground for an easy daily commute.

- **Attire.** Business suits. Foreign fairs are all business.

A final note: Forget the key chains and other giveaways you might use to draw attention to your booth; concentrate instead on putting forth your product.

Foreign visitors at international fairs understand the American entrepreneurial spirit and appreciate our history of technological innovation. Many head straight for the booths of American companies—particularly the smaller ones—because they simply are curious about "what the Yanks are up to."

Meanwhile, In Another Part Of The Continent

Smaller trade shows can produce useful leads for exhibitors as well. At 30,000 square feet, IFEMA (Instituto Ferial de Madrid), Madrid's trade fair organization, has pulled in so many visitors that it is being tripled in size, says its marketing director, Claudio Meffert.

IFEMA, which has grown enormously in just a decade, runs 34 to 38 shows a year, with a total of 13,000 exhibitors and half a million prospective distributors. Its shows tend to specialize: tourism, contemporary art, security, electrical equipment and so on.

The fair's expansion will be in a new location near Madrid's international airport, with a high-speed rail connection between the airport's two terminals and the city center. The new facility will open in 1990.

The same advice given for Hanover holds for IFEMA, but its smaller size may make it less intimidating for the first-time exhibitor. **■**

COMMENTARY

Congressional Alert

Here, in brief, are important legislative issues along with suggestions from *Nation's Business* on what you should tell members of Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510 and U.S. House of Representatives, Washington, D.C. 20515.

Clean Air



PHOTO: CHARLES FELL—UNPHOTO

Clean-air debates do not center on whether we are going to have clean air. That goal has universal support. The debate is over how we are going to clean up the problem areas and at what cost.

Congress is considering at least three clean-air proposals. Each would about double the \$33 billion spent each year for this purpose and might not work. For example, laws aimed at controlling emissions of the hydrocarbons that contribute to the formation of atmospheric ozone would not have any impact on the natural sources that produce a third to a half of the total hydrocarbons.

Yet even though the proposed programs might not work, they would af-

fect the ways that millions of people conduct their lives and businesses. Some of the proposals would regulate the composition or formulation of products, and others would control individuals' lives in terms of where, how and when they could travel.

In contrast to these enormously expensive but unproven solutions, a large coalition of businesses and business groups has formulated air-quality proposals that would produce maximum air-quality improvement at the lowest social and economic costs.

Urge your senators and representatives to support legislation that achieves clean-air goals without excessive costs and regulations.

Domestic Energy



PHOTO: GEORGE HERBEN—WOODFIN CAMP, INC.

The Coastal Plain of the Arctic National Wildlife Refuge in northeastern Alaska may contain more oil and gas than any other onshore U.S. area, but Congress has not authorized exploration and development of the Coastal Plain's energy resources.

House and Senate committees have approved bills authorizing oil and gas leasing in the Coastal Plain, but legislation to prevent exploration and development is also being considered.

With imports accounting for over 42 percent of domestic oil requirements and expected soon to exceed 50 percent, U.S. energy policy should emphasize domestic production. Energy conserva-

tion and alternative energy sources simply cannot offset the need to develop domestic oil and gas.

By leasing the Coastal Plain now, oil could become available just as production from Prudhoe Bay—site of more than 20 percent of U.S. domestic production—is declining. Delay in bolstering domestic production needlessly increases oil imports, which cost billions of dollars and lost jobs. The Coastal Plain is an opportunity that must not be ignored or delayed.

Contact your senators and representatives to urge them to allow environmentally safe oil and gas leasing in the Coastal Plain.

Parental Leave



PHOTO: CAROL LEE—UNPHOTO

Many employers and members of Congress continue to view the debate on the Family and Medical Leave Act as a controversy focused mainly on pregnancy-leave benefits. In fact, the legislation is far more extensive and would require employers to let employees take other types of leave, such as:

- Medical leave (15 weeks in one year) as long as the employee remains under the "continuing supervision of a health-care provider."

- Parental leave (10 weeks in two years) to be taken within one year of the arrival of a child by birth, adoption or foster-home placement.

- Sick-child leave (10 weeks in two

years) for any illness of a child under 18.

- Sick-parent leave (10 weeks in two years) for the illness of a parent, parent-in-law or grandparent.

Leave could be requested for numerous medical conditions, such as stress disorders, drug problems and obesity.

Mandated employee benefits are intrusive and impractical, particularly for small businesses. The interests of employers and employees alike are better served by "cafeteria" plans—flexible plans that permit individual workers to select just those benefits they need.

Contact your senators and representatives to urge them to oppose any mandated-benefits legislation.

Editorial

"If a national economy is to soar, first the ... entrepreneurial spirit of the nation's people must soar."

President Reagan's Call For Continuing The Free-Enterprise Revolution

As President Reagan nears the end of his White House service, he is understandably citing his historic achievements while wisely pointing out that he will leave unfinished business.

He declared in a major address to the recent annual meeting of the United States Chamber of Commerce: "We've made a long journey and—despite all the predictions of disaster—a good one." But, he added: "We aren't at the end, of course."

The journey, the President said, has seen "incredible accomplishments." He put it this way: "Who in 1979 would have thought it was possible that in less than a decade the top marginal tax rate on personal income would drop from 70 percent to less than half of that; that the era of high inflation would be brought to an end; and that without reigniting inflation, we could light the torch of economic growth and see its lustrous beacon shine for longer than has ever been recorded in peacetime?"

That rebuilding of America, Mr. Reagan said, was brought about through restoration of "faith in the greatest constructive force of all—the American spirit of enterprise."

Nevertheless, the President added, major goals remain to be achieved. Federal spending must be controlled "once and for all." Tax laws that discourage work and investment must be cut back further. Privatization of federal activities should be accelerated.

Fiscal reforms, he said, should include line-item veto authority, which would allow his successors to reject specific items in bills that must now be accepted or rejected *in toto*. Also needed, he said, is a constitutional amendment that would require Congress to balance the annual federal budget.

On tax policy, the President specifically called for restoration of favorable treatment of capital gains, which was abolished in the 1986 tax reform act.

The President made a special appeal to Chamber members to continue working after his departure for the fiscal-



PHOTO: KEN TONKIN

policy, tax and other goals he was not able to attain because of opposition from Congress.

Mr. Reagan told the delegates:

"When the history of our time is recorded, I believe that you, the members of the United States Chamber of Commerce, will occupy a place that few can match. I've heard talk over the years about a Reagan revolution, but in many ways I believe it would be better to call what we've done your revolution."

"You gave us your drive. You gave us your support ... For eight years here in Washington, you have given us energy, wisdom, intellect and leadership, and that's why we've come so far. The victory ribbons on your regimental colors read like a list of the great legislative battles over economic policy in this decade. ..."

He recalled that there were "those who called for more government planning, more regulations and even more taxes." The reply to them, the President said, was: "In a nation, as in a man or a woman, economic success is not a matter of bricks, mortar, balance sheets or subsidies."

"No, if a national economy is to soar, first the inventive, enterprising, pioneering, dreaming entrepreneurial spirit of the nation's people must soar."

"And that meant not more regulations, but fewer. Not more government direction, but less. And, yes, not higher taxes, but lower taxes."

But, the President told his business audience, resistance to those policies continues and "the journey is not over. ... Without you, America could yet turn back. So many hopes rest with you—so many dreams. And this is my appeal to you, my old comrades in arms, on this, our last gathering of my presidency: Keep America on the path to the future. Do this, not for me, but for this land we love."

President Reagan's challenge to preserve policies that have produced a record number of new businesses and new jobs is one that all Americans should eagerly accept. ■

Chevy G10.

**For less than the price
of a mini van, you can
have this van.**



Let's get it
together
buckle up



Best-backed Chevys ever: 6-year/60,000-mile powertrain warranty protection and 6 years or 100,000 miles of body-rust-through protection. Solid proof of the quality built into every Chevy Van. See your Chevy dealer for terms and conditions of the limited warranty.

We'll repeat that. For \$247* less than Ford Aerostar van, and up to \$740* less than Dodge Mini Ram van, you can have this full-size, 110"-wheelbase Chevy Van.

And have more standard power and torque. More payload. Bigger doors. Up to 66 more cubic feet of work room than the

Ford, up to 74 more than the Dodge. Plus an optional V8 and your choice of sliding or swing-out side doors.

In short, the kind of van designed to get the big work done. For up to \$740* less than the little vans you thought were designed to save you money. And we're talking mini vans, not the extended jobs.

The big Chevy Van. More than ever, it's worth looking into.

*Based on Manufacturers' Suggested Retail Prices for base models including dealer prep. Tax, license, destination charges and additional equipment extra. Vans comparably equipped.



THE
Heartbeat
**OF AMERICA. TODAY'S CHEVROLET
FLEET SALES** 



The Typing System For Those Who Hate PCs

Try not to get carried away. You'll be tempted, of course. Especially after you see your work on the 9500's big screen and realize that every word, every character you typed appears exactly as you entered it—including subscripts and double underlining.

But then, this should come as no surprise. After all, we're not a computer company. We're Swintec, and we make typewriters. Which is

why our 9500 uses an electronic typewriter for input—not some newfangled keyboard. Good news for those who've had to grapple with operations manuals just to produce a memo.

Call 1-800-225-0867. It's the civilized thing to do.



Swintec
We Made It

SWINTEC Canada, Ltd., 15 West Pearce St., Unit #11, Richmond Hill, Ontario, Canada, L4B 1H6, 416-764-3030, 1-800-263-5969 (Canada Only)

Circle No. 51 on Reader Service Card.